

RATE PERIOD TERMS

1. The terms and conditions set out in sections 2 through 10 of this Attachment 2 shall apply to and be binding on Bonneville and the Assenting Parties during the FY 2014-15 Rate Period (“Rate Period”), but shall expire and not survive in any form after September 30, 2015.
2. Using a 99.5 percent planning standard to determine the total amount of Variable Energy Resource Balancing Service (“VERBS”) Base Service reserves needed for each month of the Rate Period (FY 2014-2015), absent operational constraints Bonneville will provide from the FCRPS the amount required each month, up to a maximum amount of 900 MW of *inc* and 1,100 MW of *dec* of Bonneville’s total balancing reserve capacity requirement on a planning basis. Bonneville and the Assenting Parties acknowledge that operational constraints may limit Bonneville’s ability to provide balancing reserve capacity from the FCRPS at times during the Rate Period.
3. Bonneville will take reasonable steps to acquire capacity when Bonneville’s total *inc* balancing reserve capacity requirement for VERBS Base Service, as determined with the 99.5 percent planning standard, exceeds 900 MW.
 - a. Bonneville shall treat any cost difference between the purchase price of capacity and \$8.65/kW/month as a transmission cost or credit.
 - b. If Bonneville reasonably determines that the FCRPS is available on a short-term basis to supply balancing reserve capacity under this section 3, Bonneville may, at its sole discretion, make that capacity available in its capacity acquisition process at a cost based on \$8.65/kW/month.
 - c. Bonneville shall post quarterly Dispatcher Standing Order No. 216 (“DSO 216”) reports that provide the estimated tag curtailment events and the actual amount of curtailment events each month. If the actual number of DSO 216 tag curtailment events exceeds 150 percent of the estimate in any given month, Bonneville will include in that report an explanation why the DSO 216 tag curtailment events increased from the estimate.
4. Acquisition Budget for the FY 2014-2015 rate period.
 - a. Bonneville shall establish a \$2 million annual budget to be used for the purposes set forth in 4(b) (“Acquisition Budget”).
 - b. Bonneville will utilize the Acquisition Budget to (1) purchase *inc* capacity (not to exceed the cap of 900 MW *inc*) during times when, due to operational constraints, the FCRPS is unable to provide the reserves required by a 99.5 percent planning standard for VERBS Base Service; and (2) manage risk of any differences between the cost incurred for third-party capacity deployment costs and the hourly energy index in the Pacific Northwest.
 - c. When the Acquisition Budget is exhausted, Bonneville will not be obligated to attempt to purchase additional *inc* capacity in the event the FCRPS is unable to provide the reserves required to supply a 99.5 percent planning standard for VERBS Base Service. If Bonneville purchases such additional *inc* capacity, Bonneville shall treat the costs of such purchases as transmission costs.

- d. Bonneville will provide quarterly reports on its OASIS website on the types and amounts of expenditures made in the previous quarter and the status of the Acquisition Budget.
 - e. Bonneville shall not use the Acquisition Budget to fund incremental purchases of capacity that may be required to meet Bonneville's total *inc* balancing reserves requirement above 900 MW.
 - f. Bonneville may, after consultation with customers, change the intended utilization of the Acquisition Budget set out in section 4(b)(1) of this Attachment 2. Such change would be to allow Bonneville to utilize the Acquisition Budget to strategically target high volatility wind events (see section 10.e below).
5. Bonneville shall not make any *dec* acquisitions unless (1) a customer requests the purchase of *dec* reserve capacity purchases under Supplemental Service and agrees to pay these costs in accordance with the terms of the Supplemental Service; or (2) Bonneville determines *dec* acquisitions are necessary to maintain system reliability.
 6. Bonneville will offer VERBS customers a mid-Rate Period election opportunity to change their scheduling elections to a superior scheduling commitment, to elect self-supply, use Dynamic Transfer Capability ("DTC") to transfer out of Bonneville's balancing authority area, or to elect to participate in Customer Supplied Generation Imbalance ("CSGI"). These election changes will be capped at 1550 MW of nameplate movement offered on a first-come first-serve basis. The notification deadline to change service will be April 4, 2014, and the effective date of the election change will be October 1, 2014. The expansion of self-supply, including the CSGI program, and DTC will be limited to a total of 600 MW and will count towards the 1550 MW cap on nameplate movement. Customers will pay the posted rates associated with their revised election choice.
 7. Bonneville shall implement 15-minute scheduling as soon as feasible. Bonneville will take reasonable steps to implement 15-minute minute scheduling by October 1, 2014. The VERBS rates associated with a 30/15 committed scheduling election and a 40/15 committed scheduling election in Attachment 1 will apply only if Bonneville posts on its OASIS website before April 4, 2014, that Bonneville will implement 15 minute scheduling by October 1, 2014.
 8. 8.2 percent of the Cost Recovery Adjustment Clause, Dividend Distribution Clause, and NFB Mechanisms (the NFB Adjustment and the Emergency NFB Surcharge) will apply to the balancing reserve capacity-based rates specified in Section H of the General Rate Schedule Provisions in Attachment 1.
 9. Bonneville shall allocate the total Rate Period cost of \$840,000 that is associated with development of intra-hour scheduling and dynamic transfer to the Scheduling, System Control and Dispatch Service rate.
 10. Bonneville commits to engage customers on issues specified below during the Rate Period. Bonneville and the Assenting Parties agree that nothing in this section 10 obligates Bonneville or Assenting Parties to any specific outcome or decision with respect to participation in any process or to any outcome or decision regarding any Bonneville rates or terms and conditions for transmission ancillary and control area services. Bonneville retains its full discretion to make decisions regarding the merits of any proposal, its statutory requirements and authorities, and its interests to the full extent of its statutory

Attachment 2 to the Generation Inputs and Transmission Ancillary and Control Area Services Rates Partial Settlement Agreement authorities, none of which is waived or circumscribed by entering into this Agreement, of which this Attachment 2 is a part.

- a. Bonneville shall continue to participate in the Northwest Power Pool Market Assessment and Coordination Committee's collaborative analytical process with regional partners to make objective determinations regarding region-wide initiatives, including whether to move toward an Energy Imbalance Market or adopt other Enhanced Market and Operational Tools.
- b. Bonneville will prepare and review a project plan with customers regarding future balancing reserve initiatives.
- c. Bonneville and the Assenting Parties will discuss and evaluate customer-proposed alternatives to DSO 216. To inform the discussion, Bonneville will share information related to DSO 216 curtailments with customers. Bonneville and the Assenting Parties will evaluate proposed alternatives consistent with the following principles: (1) Bonneville maintains discretion to determine physical feasibility of the FCRPS in advance of real-time and to limit provision from the FCRPS to these Bonneville-determined amounts; (2) maintenance of load and resource balance in Bonneville's balancing authority area in full compliance with NERC and WECC requirements and with Good Utility Practice; and (3) fair and full compensation for the capacity used to provide imbalance energy.
- d. Bonneville will participate in a joint effort with customers to work with the CAISO on 15-minute scheduling to reduce seams issues and to maximize opportunities for customers to participate in the CAISO 15-minute markets and minimize Bonneville's balancing reserve capacity requirement. Bonneville will also explore with customers the costs and benefits of developing an intra-hour transmission product.
- e. Bonneville will develop a method to determine balancing reserve capacity needs on a short-term basis (*e.g.*, the Real-Time Reserve Requirement Tool or "R3T"). Bonneville will discuss and refine this method with customers.
- f. Bonneville and customers will jointly review any identified benefits and drawbacks, and Bonneville will determine how and whether to apply the method to acquisitions made with the Acquisition Budget or to the overall structure of balancing service provided by Bonneville in future rate periods.
- g. Bonneville and the Assenting Parties will explore customer proposals on rate design for balancing services. Specific workshop agenda topics will be determined by customers' proposals and may include embedded and marginal cost allocation, Solar VERBS rate design, and risk mitigation. In order to help inform customers' proposals, Bonneville will conduct an educational workshop with information pertaining to the cost basis and rate design of Bonneville's balancing services. This educational workshop will include information and discussion of:
 - i. The 120-hour and 1-hour peaking capability and associated energy content;
 - ii. The cost basis of balancing services (including net revenues from secondary sales); and
 - iii. The use and availability of balancing reserve capacity for Load, Dispatchable Energy Resources, and Variable Energy Resources.

- h. Bonneville will discuss with customers the concept of sub-hourly scheduling of the FCRPS for customers that purchase firm requirements power from Bonneville under CHWM contracts. Bonneville agrees to provide aggregated annual information on any capacity amounts sold under section 3(b) of this Attachment 2 during the FY 2014-2015 period. Bonneville will discuss with customers how these sales should impact customers that purchase firm requirements power from Bonneville under CHWM contracts in subsequent rate periods.
- i. Bonneville will post an annual report on its OASIS that provides the actual balancing reserve capacity held each hour of the previous fiscal year (both Federal and non-Federal) and the amount of MWh deployed during each hour (both *inc* and *dec* MWh).