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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 926

In the Matter of the Investigation Regarding the)
Purchase of Subscription Power from the Bonneville)
Power Administration.) ORDER

DISPOSITION: STIPULATION ADOPTED

On May 15, 2001, PacifiCorp, Portland General Electric Company (PGE), the Citizens' Utility Board (CUB), and Staff of the Public Utility Commission of Oregon (Staff) submitted a stipulation to the Commission relating to Bonneville Power Administrations' (BPA) subscription settlement. The stipulation resolves certain issues relating to the Commission's investigation regarding the purchase of subscription power from BPA.

On October 31, 2000, PacifiCorp and PGE executed ten year subscription settlement agreements and attached firm block power sales agreements, pursuant to Commission Order No. 00-678. That same order directed Staff, PacifiCorp, and PGE to file evidence with the Commission that the final subscription settlement agreements are materially consistent with or superior to the terms and conditions set forth in the Subscription Strategy Record of Decision dated December 7, 1999, and the Power Subscription Strategy Supplemental Record of Decision dated April 26, 2000.

The Stipulation, attached to this order as Appendix A and incorporated herein by reference, details the negotiations between the utilities and BPA and the modification to the parties' positions brought about by the energy crisis in the Northwest. The Stipulation also summarizes each utility's agreements with BPA and the conditions on those agreements.

We have reviewed the Stipulation and find its terms reasonable and consistent with our Order No. 00-678. The Stipulation should be adopted.

ORDER

IT IS ORDERED that:

1. The Stipulation signed by PacifiCorp, PGE, CUB, and Commission Staff, attached as Appendix A to this order and incorporated herein by reference, is adopted.
2. The parties to the Stipulation shall take such action as necessary to effectuate the provisions of the stipulation.

Made, entered, and effective _____.

Roy Hemmingway
Chairman

Roger Hamilton
Commissioner

Joan H. Smith
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 926

In the Matter of the Investigation Regarding)	STIPULATION RELATING TO
the Purchase of Subscription Power from the)	BONNEVILLE POWER
Bonneville Power Administration)	ADMINISTRATION'S
)	SUBSCRIPTION SETTLEMENT AND

PROPOSED ORDER

PacifiCorp, Portland General Electric Company ("PGE"), Citizens' Utility Board ("CUB") and the Staff of the Public Utility Commission of Oregon ("Staff") (together, the Parties") agree to enter into the following Stipulation. The purpose of this Stipulation is to resolve certain issues relating to the Public Utility Commission of Oregon's ("Commission") investigation regarding the purchase of Subscription Power from the Bonneville Power Administration ("BPA").

The Parties stipulate as follows:

1. Consistent with the Commission's Order No. 00-678, dated October 25, 2000, PacifiCorp and PGE executed ten-year Subscription Settlement Agreements and attached Firm Block Power Sales Agreements' on or about October 31, 2000 (collectively referred to as "Subscription Settlement Agreements").

1 The attached copies of the Firm Block Power Sales Agreements do not include exhibits to those Agreements.

2. Order No. 00-678 directed Staff, PacifiCorp and PGE to file evidence that the final, executed Subscription Settlement Agreements are materially consistent with or superior to the terms and conditions set forth in the Subscription Strategy ROD dated December 7, 1999 and Power Subscription Strategy Supplemental ROD, dated April 26, 2000 ("Subscription RODs"), and, except as described in paragraphs 3 and 4 below, are materially consistent with the Subscription RODs. The Subscription Settlement Agreements are attached hereto as Exhibits 1 and 2.

3. Consistent with Order 00-678, Staff, PacifiCorp and PGE actively advocated and supported an outcome under which BPA would provide the equivalent of 1,900 aMW for the benefit of residential and small farm consumers of investor-owned utilities for the period 2002-2006, with monetary benefits based on a reasonable updated five-year market price forecast. In settlement discussions with BPA and its publicly-owned and cooperative customers, Staff, PacifiCorp and PGE also advocated the alternative proposal set forth in the Commission's October 13, 2000 letter to BPA. As a result of those settlement discussions, Staff, PacifiCorp and PGE recommended execution of the Partial Stipulation and Settlement Agreement in WP-02 and attached Proposal, attached hereto as Exhibit 3 (excluding Exhibit B), by the four Pacific Northwest State Commissions and the investor-owned utilities. PacifiCorp, PGE and the Commission joined the State Commissions of Idaho, Montana and Washington, BPA Staff, Avista Corporation, Idaho Power Company, Puget Sound Energy, Inc., and the vast majority of BPA's publicly-owned and cooperative customers in executing the Partial Settlement and supporting the adoption of the Joint Customer Proposal in BPA's re-opened WP-02 Wholesale Power Rate Proceeding. The Joint Customer Proposal provides 900

STIPULATION RELATING TO BPA'S SUBSCRIPTION SETTLEMENT AND PROPOSED ORDER

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aMW of monetary benefits for the benefit of residential and small farm consumers of investor-owned utilities based on a price of 38 mills per kWh. This proposal provides significantly greater benefits than EPA staff originally proposed, but it does not provide the equivalent of 900 aMW in monetary benefits at price forecasts used for augmentation purchases and determining the probability of paying the U.S. Treasury as documented by EPA in the rate case record. In the WP-02 proceeding, the State Commissions and settling investor-owned utilities have taken the position that the reduction in benefits provided under the Subscription Strategy is acceptable only as part of the settlement and adoption of the Joint Customer Proposal for the period 2002-2006 and not to serve as precedent for a reduction in benefits for the 2007-2011 period. The Joint Customer Proposal is now before the acting BPA Administrator who must decide whether to adopt the EPA Staff and Joint Customers' recommendation, which includes adoption of the 38 mills per kWh as the basis for calculating monetary benefits for the residential and small farm customers of the investor-owned utilities.

4. On April 9, 2001, the acting EPA Administrator, Stephen Wright, held a press conference and issued a written statement (attached as Exhibit 4). Mr. Wright called upon all EPA's customers to assist EPA in reducing its load (and resulting augmentation purchases) commencing October 1, 2001, in order to avert a regional economic crisis. Mr. Wright believes great harm to the region's economy will result if EPA raises its power rates by 250 percent, which is a possibility if EPA must substantially augment its power supply through market purchases at today's high and volatile market prices. (See Exhibit 4). Specifically, Mr. Wright requested that the region's publicly- and investor-owned utilities and cooperatives reduce their power purchases from EPA during FY 2002 by 5 to 10 percent. He also

requested that the investor-owned utilities negotiate with BPA to reduce their load on BPA by 500 to 600 aMW for the 2002-2006 period.

5. In an effort to reduce economic harm to the Pacific Northwest region that likely would result from massive BPA wholesale power rate increases, PacifiCorp and PGE should offer to reduce their power purchases from BPA for FY 2002 by up to 10 percent under certain circumstances. PGE should offer to reduce their power purchases from BPA for FY 2002 by a percentage less than or equal to IO percent, if BPA accomplishes sufficient load reduction or rate mitigation measured by objective standards generally acceptable to the region's publicly-owned utilities and cooperatives and BPA provides assurances that any replacement resource will not result in a decrement to PGE's net requirements under either Sections 5(b)(1) or 9(c) of the Pacific Northwest Electric Power Planning and Conservation Act. PacifiCorp should offer a 10 percent reduction in FY 2002 load as part of a financial settlement described in paragraph 6 below, subject to the terms set forth in Exhibit 5.

6. PacifiCorp may amend its Subscription Settlement Agreement for the 2002-2006 period to provide for a financial settlement of its 2002-2006 Residential Exchange Program rights in lieu of a settlement providing for the sale of power by BPA to PacifiCorp for the benefit of its residential and small farm customers, on terms and conditions acceptable to PacifiCorp, CUB and the Commission. Exhibit 5, attached hereto under seal and subject to the terms of the Protective Order issued in this docket, summarizes the terms and conditions offered by BPA as a financial settlement of PacifiCorp's rights. PacifiCorp, CUB and the 23 Commission agree that

STIPULATION RELATING TO BPA'S SUBSCRIPTION SETTLEMENT AND PROPOSED ORDER

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incorporating terms and conditions substantially the same or superior to those described in Exhibit 5.

7. The Parties agree that should PacifiCorp execute a financial settlement on terms and conditions acceptable to PacifiCorp, CUB and the Commission, and for so long as that financial settlement remains in effect, none of the Parties will request that BPA offer to sell Subscription power associated with the PacifiCorp financial settlements to any other investor- owned utility for the 2002-2006 period. The Parties acknowledge that any such settlement is intended to reduce BPA's load and agree that BPA is an intended beneficiary of the covenant set forth in this paragraph 7.

8. The Parties respectfully request the Commission adopt the Parties' Stipulation set forth above and enter the attached Order as expeditiously as possible.

Dated this 15th day of May, 2001.

PACIFICORP

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

PORTLAND GENERAL CT COMPANY

CITIZENS' UTILITY BOARD

STIPULATION RELATING TO BPA'S SUBSCRIPTION SETTLEMENT AND PROPOSED ORDER

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ORDER IT IS ORDERED that:

1. The Stipulation entered into by Staff, PacifiCorp, PGE and CUB, dated May 14, 2001, and set forth above, is adopted.
2. The Parties are directed to take such action as necessary to effectuate the provisions of this Stipulation.

Made, entered and effective

Ron Eachus
Chairman

Roger Hamilton
Commissioner

Joan H. Smith
Commissioner

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CERTIFICATE OF SERVICE

I hereby certify that on May 15, 2001, I served a copy of the Stipulation Relating to Bonneville Power Administration's Subscription Settlement and Proposed Order upon the parties of record in this proceeding by U.S. Mail, addressed to said parties/attorneys' addresses as shown below:

A. W. Turner
Portland General Electric Company
One World Trade Center
121 SW Salmon Street - 1WTC-13
Portland, OR 97204

Ruth Crowley
Public Utility Commission
550 Capitol Street NE
Salem, OR 97310-1380

Marc Hellman
Public Utility Commission
550 Capitol Street NE
Salem, OR 97310-1380

Libby Henry
Eugene Water & Electric Board
1001 SW Fifth Avenue, Suite 2000
Portland, OR 97204-1136

Paul A. Graham
Assistant Attorney General
Department of Justice
1162 Court St., NE
Salem, OR 97310

Michael McFarland
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97208

Jason Eisdorfer
CUB of Oregon
921 SW Morrison, Suite 511
Portland, OR 97205

Brian Hedman
PacifiCorp
825 NE Multnomah, Suite 800
Portland, OR 97232

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

POWER BUSINESS LINE

November 1, 2000

In reply refer to: PT-5

Mr. Scott Brattebo, Director, Regulatory
PacifiCorp.
825 NE Multnomah St.
Portland, OR 97232

Dear Scott:

Enclosed please find a fully executed copy of the Settlement Agreement and Block Sale Agreement presented to PacifiCorp.

We appreciate the cooperation your Company and staff have extended during this Subscription process.

Sincerely,

Mark E. Miller Account Executive .

Enclosures:
Settlement Agreement (2)
Firm Power Block Sale Agreement (2)

EXHIBIT 1

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PACIFICORP

October 30, 2000

Mark Miller
Account Executive
Bonneville Power Administration
905 N.E. 11' Avenue
Portland, OR 97232

Dear Mark:

PacifiCorp has executed the Settlement Agreement between the Bonneville Power Administration and the Company, Contract No. O1PB-12229, and Exhibit A thereto, the Finn Power Block Power Sales Agreement, Contract No. O1PB-12230. Two executed originals are enclosed for Bonneville's execution. Please return an executed original to me prior to the close of the Subscription window at COB Tuesday, October 31, 2000.

As we have discussed, Exhibit C (Net Requirements) to Contract No. OIPB-12230 is based on information Bonneville has gathered from various sources including its White Book. Because PacifiCorp's preference and focus has been on equitable financial settlement of the Residential Exchange Program, the Company had not submitted forecasts and resource information relevant to power deliveries for the purpose of developing the exhibit. Given time constraints, PacifiCorp has not provided information for Bonneville to include in Exhibit 'C' and cannot attest to its accuracy at this time. In the event that PacifiCorp is considering taking delivered power under Contract No. OIPB-12230 at the conclusion of the reopened WP-02 proceeding in May 2001, the Company will provide BPA updated forecast and resource information to -amend Exhibit C. In that event, PacifiCorp requests that Bonneville work in good faith to amend the exhibit prior the expiration of PacifiCorp's termination rights under section 16 of the Block Sale agreement. We intend that this work will be part of the preparatory work envisioned by the Firm Power Block Power Sales Agreement. We ask that you indicate your concurrence by countersigning this letter below at the time you execute Contract Nos. O1PB-12229 and O1PB-012230.

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Mr. Mark Miller
Bonneville Power Administration
Page 2

October 30, 2000

Thank you for your cooperation in this matter.

Sincere

Scott Brattebo

Director, Regulatory'

AGREED: Bonneville Power Administration By:

Mark Miller

Account Executive

SETTLEMENT AGREEMENT
executed by the
BONNEVILLE POWER ADMINISTRATION
and
PACIFICORP
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Exhibit A Block Power Sales Agreement (Contract
No. 01PB-12230

Exhibit B Residential Load Definition

This SETTLEMENT AGREEMENT (Agreement) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (BPA), and PACIFICORP (PACIFICORP). PACIFICORP is a corporation organized under the laws of the State of Oregon. BPA and PACIFICORP are sometimes referred to in the singular as "Party.'" or in the plural as "Parties."

RECITALS

The Northwest Power Act establishes a Residential Exchange Program to provide benefits to residential and small farm consumers of Pacific Northwest utilities.

BPA implements the Residential Exchange Program through the offer, when requested, of a Residential Purchase and Sale Agreement.

BPA and PACIFICORP desire to enter into this Agreement in order to settle the Parties' rights and obligations for the Residential Exchange Program for the term of this Agreement.

The Parties agree:

1. TERM

This Agreement takes effect on the date signed by the Parties. Performance of this Agreement by the Parties shall begin on July 1, 2001, and shall continue through September 30, 2011 (Expiration Date), unless terminated earlier pursuant to section 14 below.

2. DEFINITIONS

- (a) "Contract Year" means each period during the term of this Agreement that begins each October 1 and which ends the following September 30. For instance, Contract Year 2002 begins October 1, 2001, and *continues through* September 30, 2002.
- b) "Deemer Account" means the separate account established pursuant to section 10 of the 1981 Residential Purchase and Sale Agreement between a customer and BPA that identifies a monetary payment plus interest that would have been owed to BPA by that customer if that customer had not "deemed" its Average System Cost equal to the PF Exchange rate.
- (c) "Firm Power" means electric power that PBL will make continuously available to PACIFICORP under the Firm Power Block Power Sales Agreement.
- (d) "Firm Power Block Power Sales Agreement" means" Contract No. OIPB-12230, attached to this Agreement as Exhibit A.
- (e) "Forward Flat-Block Price Forecast" means BPA's forecast of the wholesale market price for the purchase of additional amounts of power at 100 percent annual load factor established in the same BPA power rate case as that which established the RL rate and for the period of the RL Rate established in a BPA power rate case Record of **Decision (ROD) as finally approved** by the Federal Energy Regulatory Commission and affirmed, if appealed, by the, United States Court of Appeals for the Ninth Circuit.

- (f) "Lowest PF Rate" means the lowest applicable cost-based power rate provided under the applicable PF rate schedule as applied to purchases of Firm Power by BPA's preference customers at 100 percent annual load factor. The applicable power rate shall be the PF rate for the same period as the RL Rate for the Firm Power purchases provided under the Firm Power Block Power Sales Agreement.
- (g) "Monetary Benefit" means the monetary settlement benefits provided under this Agreement as determined pursuant to the methodology described in section 4(c) below.
- (h) "Northwest Power Act" means the Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501.
- (i) "Qualified Entity", means an entity, authorized under state law or by order of the applicable state regulatory authority to serve all or a portion of PACIFICORP's Residential Load.
- (j) "RL Rate" means the then-current applicable Residential Load Firm Power rate schedule.
- (k) "Residential Exchange Program" means the program established under section 5(c) of the Northwest Power Act.
- (l) "Residential Load" means the load eligible to receive benefits under this Agreement, as such load is defined in Exhibit B.
- (m) "Residential Purchase and Sale Agreement," or "RPSA," means an agreement between BPA and a Pacific Northwest utility that implements the Residential Exchange Program.

3. SATISFACTION OF SECTION 5(c) OBLIGATIONS

- (a) Satisfaction of Section 5(c) Obligations BPA shall, in full and complete satisfaction of all of its obligations during the period from July 1, 2001, through September 30, 2011, under or arising out of section 5(c) of the Northwest Power Act, provide to PACIFICORP: (1) cash payments for the period that begins July 1, 2001, and ends on September 30, 2001, pursuant to section 3(d) of this Agreement; and (2)* beginning October 1, 2001, Firm Power or Monetary Benefit payments, or both, pursuant to sections 4 and 5 of this Agreement. PACIFICORP agrees that the cash payments, Firm Power or Monetary Benefits or both, provided under this Agreement satisfy all of BPA's obligations during the period from July 1, 2001, through September 30, 2011, under or arising out of section 5(c) of the Northwest Power Act.

(b) **Invalidity.**

In the event the United States Court of Appeals for the Ninth Circuit finally determines, after all appeals or requests for reconsideration, that this Agreement (or section 4(a), section 4(c), or section 5 of this Agreement) is unlawful, void, or unenforceable, then the provisions of section 3(a) above shall be of no further force or effect, and the Parties intend and agree that: (1) the cash payments pursuant to section 3(d), the Firm Power, and Monetary Benefits provided prior to such final determination shall be retained by PACIFICORP; and (2) the satisfaction of BPA's obligations to PACIFICORP under section 5(c) of the Northwest Power Act prior to such final determination shall be preserved, to the maximum extent permitted by law. This section 3(b) shall survive notwithstanding any determination that any other provision of this Agreement (or the exhibits) is unlawful, void, or unenforceable.

(c) **Negotiation of New Agreement if this Agreement Held Invalid** If this Agreement (or section 4(a), section 4(c), or section 5 of this Agreement) is finally determined to be unlawful, void, or unenforceable as described in section 3(b) above, then both Parties agree to negotiate in good faith a new, mutually acceptable agreement that would, until the end of its term, be in satisfaction of BPA's obligations under or arising out of section 5(c) of the Northwest Power Act. The term of such new agreement would continue for the remaining term of this Agreement.

(d) **Payments by BPA for the Period Beginning July 1, 2001, and Continuing through September 30, 2001** For the three calendar month period that begins July 1, 2001, and continues through September 30, 2001, BPA shall pay PACIFICORP \$5,500,000 for the benefit of eligible residential and small farm load in PACIFICORP's Idaho jurisdiction. Payment for each of these calendar months shall be in equal amounts of \$1,833,333 and shall be paid on or before the last business day of each such month. BPA shall pay, by electronic funds transfer using PACIFICORP's established procedures.

4. **SETTLEMENT BENEFITS**

(a) **Total Benefits**

(1) **October 1, 2001, through September 30, 2006** BPA shall provide to PACIFICORP a total benefit comprised of Firm Power and Monetary Benefit, both of which are expressed in annual average megawatts (aMV). This total benefit is as follows:

Period of Time	Total of Firm Power and Monetary Benefit for PACIFICORP annual aMW)	Oregon	Washington	Idaho
		(annual aMW)	(annual aMW)	(annual aMW)
10/1/01 through 9/30/06	476	256	80	140

Period of Time
10/1/06 through
9/30/11

The allocation and disposition of this total benefit between Firm Power and Monetary Benefit is described in sections 4(b) and 4(c) below.

(2) October 1, 2006, through September 30, 2011 BPA shall provide to PACIFICORP a total benefit comprised of Firm Power and Monetary Benefit, both of which are expressed in annual average megawatts (aMW). This total benefit is as follows:

Total of Firm Power and Monetary Benefit for PACIFICORP annual aMWI	Oregon	Washington	Idaho
	(annual aMWI)	(annual aMWI)	(annual aMWI)
590	342	108	140

The allocation and disposition of this total benefit between Firm Power and Monetary Benefit is described in sections 4(b) and 4(c) below.

(b) Firm Power Sale Portion of Total Benefits

(1) October 1, 2001, through September 30, 2006

(A) Subject to the terms of this Agreement, BPA shall make available and sell, and PACIFICORP shall purchase, Firm Power at a "flat" rate of delivery (100 percent annual load factor) during every hour under the RL Rate. The terms and conditions for this sale shall be as provided for in the Firm Power Block Power Sales Agreement, attached hereto as Exhibit A. The annual amounts of Firm Power are as follows:

Period of Time	Firm Power (annual aMW)	Oregon	Washington	Idaho
		annual aMWI	(annual aMWI)	(annual aMW)
10/1/01 through 9/30/06	251	135	42	74

(B) If PACIFICORP, terminates the Firm Power Block Power Sales Agreement pursuant to section 16 of such agreement, BPA shall convert the Firm Power sale to Monetary Benefits and

provide Monetary Benefits in the amount of the Firm Power sale, pursuant to section 4(c) below (except as provided in section 5(a)(6) below), from the effective date of such termination through September 30, 2006.

(C) If an investor-owned utility signs an agreement settling the rights of such utility under the Residential Exchange Program and that utility takes Monetary Benefits instead of the Firm Power offered by BPA, BPA shall *offer to* amend PACIFICORP's Settlement Agreement to substitute Firm Power for Monetary Benefits. The amount of Firm Power offered by BPA shall be PACIFICORP's share of the amounts of Firm Power not taken by an investor-owned utility, based on the allocation methodology described in the Administrator's Record of Decision issued with agreements offered to settle the rights of investor-owned utilities under the Residential Exchange Program. BPA shall determine whether such amounts of Firm Power are available as soon as possible after the expiration of the termination right in section 14 of such agreements offered to settle the rights under the Residential Exchange Program. PACIFICORP shall have 30 days to accept the offer.

(2) October 1, 2006, through September 30, 2011

(A) Subject to the terms of this Agreement, BPA shall, no later than October 1, 2005, notify PACIFICORP in writing of the amount of Firm Power in annual aMW that will be provided to PACIFICORP during the period that begins October 1, 2006, and ends on September 30, 2011. The terms and conditions for this sale shall also be as provided for in the Firm Power Block Power Sales Agreement, and such agreement shall be amended by the Parties to reflect the amount of Firm Power to be sold during such period. BPA shall not offer an amount of Firm Power that exceeds PACIFICORP's net requirement at the time of the notice issued pursuant to this section. Prior to issuing such notice, BPA shall consult with PACIFICORP regarding its desire for Firm Power or Monetary Benefits.

(B) If PACIFICORP does not purchase any Firm Power during the period from October 1, 2001, through September 30, 2006, PACIFICORP shall establish an initial net requirement under Exhibit C of the Firm Power Block Power Sales Agreement by August 1, 2005, for Contract Year 2007. PACIFICORP shall execute a contract including the terms and conditions of the Firm Power Block Power Sales Agreement and the information provided on net requirements under this section by January 1, 2006, if BPA notifies PACIFICORP under section 4(b)(2)(A)

that a portion of its benefits under section 4(a) will be provided as Firm Power.

(C) If the RL Rate calculated at 100 percent annual load factor for the period from October 1, 2006, through September 30, 2011, exceeds the Lowest PF Rate for the same 100 percent annual load factor during such period, PACIFICORP may, by written notice to BPA within 30 days after BPA published its power rate case ROD, notify BPA that it will convert its entire Firm Power purchase under the Firm Power Block Power Sales Agreement to Monetary Benefits, pursuant to section 4(c) below (except as provided in section 5(a)(6) below), for the remaining term of this Agreement.

Monetary Benefit Portion of Total Benefits

(1) Amount of Monetary Benefit

(A) October 1, 2001, through September 30, 2006 BPA shall provide the following Monetary Benefits expressed in annual aMW to PACIFICORP for the period that begins October 1, 2001, and continues through September 30, 2006.

Period of Time	Monetary Benefit annual aMWI	Oregon (annual aMW)	Idaho	
			Washington (annual aMW)	(annual aMW)
10/1/01, through 9/30/06	225	121	38	66

(B) October 1, 2006, through September 30, 2011 BPA shall, no later than October 1, 2005, notify PACIFICORP in writing of the amount of Monetary Benefit expressed in annual aMW, for which payments will be made to PACIFICORP during the period that begins October 1, 2006, and continues through September 30, 2011. .

(2) Determination of Monetary Benefit Monthly Payment Amounts

(A) **October** 1, 2001, through September 30, 2006 The Monetary Benefit monthly payment amounts shall be determined in accordance with the following formula:

$$MP = \frac{(FBPF - R.L) \times MB \times 8,760 \text{ hours (8,784-hours in leap years)}}{12 \text{ months}}$$

Where:

MP = Monthly Payment Amount

FBPF = Forward Flat-Block Price Forecast established in the same BPA power rate case as that which established the RL Rate during the period beginning October 1, 2001, through September 30, 2006.

RL = The RL Rate calculated at 100 percent annual load factor.

MB = . Monetary Benefit amount in annual aMW.

(B) October 1, 2006, through September 30, 2011. The Monetary Benefit monthly payment amounts shall be determined in accordance with the following formula:

$$MP = \frac{(FBPF - RL) \times MB \times 8,760 \text{ hours (8,784 hours in leap years)}}{12 \text{ months}}$$

Where:

MP = Monthly Payment Amount

FBPF = Forward Flat-Block Price Forecast established in the same. BPA power rate case as that which established the RL Rate during the period beginning October 1, 2006, through September 30, 2011.

RL = The RL Rate calculated at 100 percent annual load factor.

MB = Monetary Benefit amount in annual aMW.

(3) Exception to Use of RL Rate in Sections 4(c)(2)(A) and 4(c)(2)(B).

If, for the purposes of the formulas shown in sections 4(c)(2)(A) and 4(c)(2)(B) above, there is: (i).no RL Rate in effect; or (ii) the RL Rate exceeds the Lowest PF Rate, then the Lowest PF Rate shall replace the RL Rate in such formulas. Use of the Lowest PF Rate in such event shall apply to Monetary Benefits provided in accordance with sections 4(b)(1)(B), 4(b)(2)(C), and 4(c)(I).

(4) Payment Provisions

BPA shall pay PACIFICORP the monthly Monetary Benefit as determined in section 4(c). The monthly Monetary Benefit shall be netted against the monthly payment amounts PACIFICORP owes BPA for Firm Power purchased in accordance with section 4(b). If the

monthly Monetary Benefit exceeds the monthly amount PACIFICORP owes BPA, then BPA shall pay PACIFICORP either: (A) on the due date of the bill issued under Exhibit A; or (B) if PACIFICORP is not purchasing power under the Firm Power Block Power Sales Agreement within 30 days of the end of the calendar month for which Monetary Benefits are paid (Due Date). After the Due Date, and for the purposes of section 4(c)(4)(B), a late payment charge is calculated at a daily, simple interest rate determined by dividing the Prime Rate for Large Banks, as reported in the Wall Street Journal, plus 4 percent, by 365. The applicable Prime Rate for Large Banks shall be the rate reported on the first day of the month in which payment was received. BPA shall pay by electronic funds transfer using PACIFICORP's established procedures.

5. CASH PAYMENTS IF FIRM POWER NOT DELIVERED

(a) Conditions Under Which Firm Power Not Delivered

(1) Amount of Firm Power Purchased Exceeds Net Requirement

If, for any Contract Year, pursuant to section 5 of Exhibit C of the Firm Power Block Power Sales Agreement, there is a reduction in the hourly amounts of Firm Power provided during each hour of the Contract Year or a portion thereof, then the amount of such Firm Power reduction ("Excess Requirements Energy") shall be converted to cash payments as provided for in section 5(b) below.

(2) Firm Power Not Delivered Pursuant to Section 8(b)

If, pursuant to section 8(b) below, monthly amounts of Firm Power cannot be delivered, then such amounts of Firm Power shall be converted to cash payments as provided for in section 5(b) below.

(3) Insufficiency and Allocations

If, pursuant to section 14(b) of Exhibit A, there is a restriction of power deliveries under this Agreement, then such restricted amounts shall be converted to cash payments as provided in section 5(b) below.

(4) Termination or Decrement for Export of Regional Resource

If, pursuant to section 14(e)(3) of the Firm Power Block Power Sales Agreement, BPA terminates the Firm Power Block Power Sales Agreement, the amounts of Firm Power provided under such agreement shall be converted to cash payments as provided in section 5(b) below. If, pursuant to section 14(e)(3) of the Firm Power Block Power Sales Agreement, BPA decrements the amount of Contracted Power under the Firm Power Block Power Sales Agreement, then the amounts of Contracted Power provided under such agreement shall be converted to cash payments as provided in section 5(a)(1) above.

(5) Firm Power Not Delivered Due to a Monthly Purchase Deficiency

If, for any month, there is a Monthly Purchase Deficiency, as that term is defined in section 5 of the Firm Power Block Power Sales Agreement for reasons other than Excess Requirements Energy as defined in section 5(a)(1) above, then such amounts) of Monthly Purchase Deficiency shall be converted to cash payments as provided in section 5(b) below.

(6) Termination of Block Power Sales Agreement

If PACIFICORP terminates the Firm Power Block Sales Agreement pursuant to section 16 of such agreement and section 4(c)(2)(C) of this Agreement applies, then section 4(b)(1)(B) of this Agreement shall not apply and the amounts of Firm Power not delivered during any month from the Effective Date of such termination through September 30, 2006, shall be converted to cash payments as- provided in section 5(b) below.

(7) Block Power Sales Agreement Held Invalid

If any or all power deliveries under the Firm Block Power Sales Agreement are restricted due to such agreement being unlawful, void, or unenforceable, then such restricted amounts shall be converted to cash payments as provided in section 5(b) below.

(b) Determination of Cash Payment Amounts

(1) Default Payment Option

Cash payments pursuant to this section shall be made monthly according to the following formula:

$$FBNDP = (MIDC - WC - RL) \times MWH$$

Where:

FBNDP = Monthly Cash Payment Amount for Firm Power in MWh not delivered under sections 5(a)(1) through 5(a)(7) above.

MIDC = The average price for the month of the Dow Jones daily firm On-Peak index price at the Mid-C for HLH, and the Dow Jones daily firm Off-Peak index price at the Mid-C for LLH based on volume weighted amounts not delivered to PACIFICORP under Exhibit A. If, in the future, the Mid-C index is no longer available, or does not accurately reflect the value of daily firm energy, then it will be replaced with another prevailing index (or indices)

that best represents the market price for firm power traded in eastern Washington.

WC = Wheeling Charge from Federal system generators to the Mid-C point of delivery based on the posted *Point-to-Point tariff* of BPA's transmission business or its successor over unconstrained paths plus any mandatory posted ancillary service charges and transmission losses for scheduled power under such tariff. If, in the future, the Point-to-Point tariff is no longer available, or does not accurately reflect the cost of wheeling power from Federal system generators to the Mid-C point of delivery, then it will be replaced with a tariff that best represents the cost of wheeling fixed amounts of power between known points over unconstrained transmission paths.

RL = The monthly RL rate calculated at 100 percent load factor for HLH and LLH periods.

MWH = Monthly amount of power that cannot be delivered, expressed in megawatthours for HLH and LLH periods.

(2) PACIFICORP Offer of Put Right to BPA

Rather than receive payments under the default option described in section 5(b)(1) above, PACIFICORP may elect to offer BPA a put right for amounts of power not delivered pursuant to sections 5(a)(1) through 5(a)(4), section 5(a)(6), and section 5(a)(7) subject to the following terms:

(A) No later than 10 days prior to the start of a month, PACIFICORP shall notify BPA if it desires to provide BPA with a put right for such month. Such put right shall provide BPA the right to sell the amount of power determined in sections 5(a)(1) through 5(a)(4), section 5(a)(6), and section 5(a)(7) above at the Mid-C index price as specified in section 5(b)(2)(C) below for the applicable delivery period, and at the point of delivery described in section 5(b)(2)(D) below.

(B) If BPA chooses to exercise the put, it must do so prior to 2 p.m. on the later of (i) three business days prior to the end of the month; or (ii) the day prior to the last day of trading for that month on the New York Mercantile Exchange futures market, or the put right expires for that month.

(C) If PACIFICORP offers BPA the put right for *a given month*, then BPA shall pay PACIFICORP a cash payment according to the following formula:

$$PRP = (MIDC - RL) \times MWH$$

Where:

PRP = Monthly Cash Payment Amount for Firm

Power in MWh not delivered under sections 5(a)(1) through 5(a)(4), section 5(a)(6), and section 5(a)(7).

MIDC = The average price for the month of the Dow Jones daily firm On-Peak index price at the Mid-C for HLH, and the Dow Jones daily firm Off-Peak index price at the Mid-C for LLH based on volume weighted amounts not delivered to PACIFICORP under Exhibit A. If, in the future, the Mid-C index is no longer available, or does not accurately reflect the value of daily firm energy, then it will be replaced with another prevailing index (or indices) that best represents the market price for firm power traded in eastern Washington.

RL = The monthly RL rate calculated at 100 percent load factor.

MWH = Monthly amount of power that is offered by PACIFICORP as a put right, expressed in megawatthours.

(D) The point of delivery for power that is put to PACIFICORP will be the same point where BPA makes Firm Power available to PACIFICORP in the Firm Power Block Power Sales Agreement to wheel to its load.

(3) Exception to Use of RL Rate in **Sections 5(b)(1) and 5(b)(2)** If, for the purposes of the formulas shown in sections 5(b)(1) and 5(b)(2) above, there is: (i) no RL Rate in effect; or (ii) the RL Rate exceeds the Lowest PF Rate, then the Lowest PF Rate shall replace the RL Rate in such formulas. Use of the Lowest PF Rate in such event shall apply to cash payments provided in accordance with sections 5(a), 5(b)(1), and 5(b)(2).

(4) Payment Provisions

If the monthly payment amount determined pursuant to the formulas

in sections 5(b)(1) and 5(b)(2) is positive, then BPA shall pay PACIFICORP such amount; if any such amount is negative, then PACIFICORP shall pay BPA such amount. Monthly payment obligations under this section 5 shall appear as adjustments to BPA's payments or PACIFICORP's payments under section 4(c)(3) above.

6. PASSTHROUGH OF BENEFITS

(a) Except as otherwise provided in this Agreement, Firm Power and Monetary Benefit amounts received by PACIFICORP from BPA under this Agreement shall be passed through, in full, to each residential and small farm consumer, as either: (1) an adjustment in applicable retail rates; (2) monetary payments; or (3) as otherwise directed by the applicable State regulatory authority. Monetary payments shall be distributed to the Residential Load in a timely manner, as set forth in this section 6.

(b) The amount of benefits held in the account described in section 6(c) below at any time shall not exceed the expected receipt of monetary payments from BPA under this Agreement over the next 180 days. If the annual monetary payment is less than \$600,000, then PACIFICORP may distribute benefits on a less frequent basis provided that distributions are made at least once each Contract Year.

(c) Benefits shall be passed through consistent with procedures developed by PACIFICORP's State regulatory authority(s). Monetary Benefits and any cash benefits under section 5 shall be identified on PACIFICORP's books of account. Funds shall be held in an interest bearing account, and shall be maintained as restricted funds, unavailable for the operating or working capital needs of PACIFICORP. Benefits shall not be pooled with other monies of PACIFICORP for short-term investment purposes. Firm Power shall be delivered monthly, and only to Residential Load.

(d) Nothing in this Agreement shall require that any power be delivered on an unbundled basis to residential and small farm customers of PACIFICORP or that PACIFICORP provide retail wheeling of such power.

7. AUDIT RIGHTS

BPA retains the right to audit PACIFICORP at BPA's expense to determine whether the benefits provided to PACIFICORP under this Agreement were provided only to PACIFICORP's eligible Residential Load. BPA retains the right to take action consistent with the results of such audit to require the passthrough of such benefits to eligible Residential Load. BPA's right to conduct such audits of PACIFICORP with respect to a Contract Year shall expire 60 months after the end of such Contract Year. As long as BPA has the right to audit PACIFICORP pursuant to this Agreement, PACIFICORP agrees to maintain records and documents showing all *transactions and* other activities pertaining to the terms of this Agreement with respect to which BPA has audit rights.

8. ASSIGNMENT

(a) PACIFICORP shall be required to assign benefits under this section 8 to BPA if another Qualified Entity serves Residential Load formerly served by PACIFICORP unless: (i) BPA has approved an agency agreement for such Qualified Entity under section 8(c); or (ii) BPA has approved a state program for the passthrough of benefits by a distribution utility under section 8(c).

(b) This Agreement is binding on any successors and assigns of the Parties. BPA may assign this Agreement to another Federal agency to which BPA's statutory duties have been transferred. Neither Party may otherwise transfer or assign this Agreement without the other Party's written consent. Such consent shall not be unreasonably withheld; provided, however, that PACIFICORP agrees it shall assign benefits under this Agreement subject to the following terms and conditions:

(1) PACIFICORP shall quantify an amount of Residential Load each month served by Qualified Entities that would have been eligible to receive benefits if served by PACIFICORP, and provide written notice to BPA of such amount no later than five days prior to the beginning of a month. Such amount shall be determined in account months based on the amounts served by PACIFICORP and Qualified Entities in the last full calendar month prior to such written notice to BPA. An account month is the number of days of service to a Residential Load account during a month, divided by the number of days in such month.

(2) Based on the determination in section 8(b)(1) above, PACIFICORP shall assign to BPA during the month following such notice a share of the total benefits specified in section 4(a) above. Such share shall be the account months of Residential Load served by Qualified Entities divided by the account months of Residential Load of PACIFICORP that would be eligible to receive benefits, whether or not PACIFICORP continues to serve such Residential Load. For purposes of section 8(b)(1) and this section 8(b)(2), the Residential Load of PACIFICORP shall not include Residential Load receiving benefits over a new distribution system under section 8(d).

(3) The amounts of Firm Power and Monetary Benefit assigned to BPA shall be in the same proportion as PACIFICORP receives under this Agreement.

(4) If the passthrough of benefits is made to consumers under section 8(c) below, then PACIFICORP shall retain the Monetary Benefits assigned to BPA under this section 8(b) and the amount of Firm Power determined under this section 8(b) to be assigned to BPA shall be retained by BPA and converted to dollars pursuant to section 6 above. PACIFICORP shall use such amount of dollars plus the

Monetary Benefits to provide benefits to individual residential and small farm consumers under section 8(c) below.

(c) PACIFICORP may *continue to* pass through benefits to individual residential and small farm consumers under this Agreement not served by PACIFICORP: (i) if PACIFICORP is acting as the agent under an agreement entered into between PACIFICORP and a Qualified Entity which has been approved by PACIFICORP's applicable state regulatory authority and EPA; or (ii) EPA has approved a program developed by the applicable state regulatory authority providing for the passthrough of benefits received by PACIFICORP under this Agreement to all its residential and small farm consumers acting in its capacity as a distribution utility. PACIFICORP may continue to act as an agent for a Qualified Entity until an RPSA is signed by EPA and the Qualified Entity. Such benefits shall be equal to each such consumer's share of the Qualified Entity's share of the Residential Load, as calculated under section 8(b) above.. PACIFICORP may distribute such benefits on a less frequent basis than monthly, provided that distributions are made at least once each Contract Year.

(d) If a Qualified Entity eligible to purchase Firm Power acquires all or a portion of the distribution system serving the Residential Load of PACIFICORP, PACIFICORP shall assign to EPA for the *remaining term* of this Agreement a share of the total benefits specified in section 4(a) above. Such share shall be based on the amount of Residential Load that would have been eligible to receive benefits from the new Qualified Entity for the 12 month period prior to the date of *assignment divided* by the total of Residential Load of PACIFICORP that would have been eligible to receive benefits during that same 12 month period regardless of who served such Residential Load. All provisions of this section 8, other than section 8(b)(2), shall apply to assignments under this section 8(d).

9. DEEMER ACCOUNT BALANCE

As a result of entering this Agreement, neither EPA nor PACIFICORP has prejudiced its right, if any, to assert that a Deemer Account balance, if any, from the 1981-2001 Residential Purchase and Sale Agreement between EPA and PACIFICORP is required to be carried over to any subsequent agreement offered by EPA pursuant to section 5(c) of P.L. 96-501.

10. CONSERVATION AND RENEWABLE DISCOUNT

Subject to the terms specified in BPA's applicable Wholesale Power Rate Schedules, including GR:SPs, EPA shall apply the Conservation and Renewables Discount to PACIFICORP's Monetary Benefits and Firm' Power Sale as established in section 4 of this Agreement, unless PACIFICORP has notified PBL before August 1, 2001, that it will not participate in the Conservation and Renewable Discount. For purposes of establishing Monetary Benefits and Firm Power amounts eligible for this discount, PACIFICORP shall provide PBL a reasonable forecast of its Monetary Benefits and amounts of Firm Power provided pursuant to the Firm Power Block

Power Sales Agreement through Contract Year 2006 by no later than August 1, 2001.

If, during any Contract Year, PACIFICORP has significant change in the total amount of Monetary Benefits or Firm Power provided pursuant to the Firm Power Block Power Sales Agreement, the Parties may, by no later than August 31 prior to the succeeding Contract Year, revise the forecast used to calculate the Conservation and Renewables Discount. If the revised forecast is less than 95 percent of, or greater than 105 percent of, the forecast used to calculate the existing *Conservation* and Renewables Discount, the revised forecast shall be used to recalculate the Conservation and Renewables Discount for the succeeding Contract Years.

To retain the full amount of the *Conservation and Renewable Discount* PACIFICORP shall satisfy all obligations associated with the Conservation and Renewables Discount as specified in BPA's applicable Wholesale Power Rate Schedules, including GRSPs, and the *Conservation and Renewable Discount implementation manual*. PACIFICORP shall reimburse BPA for any amount it received but for which it did not satisfy such obligations.

Monetary Benefits shall be treated in the same manner as Firm Power for purposes of any Conservation and Renewable Discount program or similar program based on Firm Power purchases. PACIFICORP shall be eligible for the Conservation and Renewable Discount, or any similar program based on Firm Power purchases under section 5(b) of the Northwest Power Act that BPA decides to establish through a section 7(i) hearing for the period that begins October 1, 2006, and ends on September 30, 2011.

11. GOVERNING LAW AND DISPUTE RESOLUTION

(a) This Agreement shall be interpreted consistent with and governed by Federal law. Final actions subject to section 9(e) of the Northwest Power Act are not subject to binding arbitration and shall remain within the exclusive jurisdiction of the United States Ninth Circuit Court of Appeals. Any dispute regarding any rights of the Parties under any BPA policy, including the implementation of such policy, shall not be subject to arbitration under this Agreement. PACIFICORP reserves the right to seek judicial resolution of any dispute arising under this Agreement that is not subject to arbitration under this section 11. For purposes of this section 11 BPA policy means any written document adopted by BPA as a final action in a decision record or record of decision that establishes a policy of general application, or makes a determination under an applicable statute. If either Party asserts that a dispute is excluded from arbitration under this section 11, either Party may apply to the Federal court having jurisdiction for an order determining whether such dispute is subject to arbitration under this section 11.

(b) Any contract dispute or contract issue between the parties arising out of this Agreement, except for disputes that are excluded through section 11(a) above, shall be subject to binding arbitration. The Parties shall make a good

faith effort to resolve such disputes before initiating arbitration proceedings. During arbitration, the Parties shall continue performance under this Agreement pending resolution of the dispute, unless to do so would be impossible or impracticable.

(c) Any arbitration shall take place in Portland, Oregon, unless the Parties agree otherwise. The CPR Institute for Dispute Resolution's arbitration procedures for commercial arbitration, Non-Administered Arbitration Rules (CPR Rules), shall be used for each dispute; provided, however, that: (1) the Parties shall have the discovery rights provided in the Federal Rules of Civil Procedure unless the Parties agree otherwise; and (2) for claims of \$1 million or more, each arbitration shall be conducted by a panel of three neutral arbitrators. The Parties shall select the arbitrators from a list containing the names of 15 qualified individuals supplied by the CPR Institute for Dispute Resolution. If the Parties cannot agree upon three arbitrators on the list within 20 business days, the Parties shall take turns striking names from the list of proposed arbitrators. The Party initiating the arbitration shall take the first strike. This process shall be repeated until three arbitrators remain on the list, and those individuals shall be designated as the arbitrators. For disputes involving less than \$1 million, a single neutral arbitrator shall be selected consistent with section 6 of the CPR Rules.

(d) Except for arbitration awards which declare the rights and duties of the Parties under this Agreement, the payment of monies shall be the exclusive remedy available in any arbitration proceeding. Under no circumstances shall specific performance be an available remedy against BPA. The arbitration award shall be final and binding on both Parties, except that either Party may seek judicial review based upon any of the grounds referred to in the Federal Arbitration Act, 9 U.S.C. §1-16 (1988). Judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof.

(e) Each Party shall be responsible for its own costs of arbitration, including legal fees. The arbitrators may apportion all other costs of arbitration between the Parties in such manner as they deem reasonable taking into account the circumstances of the case, the conduct of the Parties during the proceeding, and the result of the arbitration.

12. NOTICE PROVIDED TO RESIDENTIAL AND SMALL FARM CUSTOMERS PACIFICORP will ensure that any entity that issues customer bills to PACIFICORP residential and small farm consumers shall provide written notice on such customer bills that a portion of their power and associated benefits is "Federal Columbia River Benefits supplied by BPA."

13. STANDARD PROVISIONS

(a) Amendments

No oral or written amendment, rescission, waiver, modification or other change of this Agreement shall be of any force or effect unless set forth in a written instrument signed by authorized representatives of each Party.

(b) Information Exchange and Confidentiality

The Parties shall provide each other with any information that is reasonably required, and requested by either Party in writing, to operate under and administer this Agreement, including load forecasts for planning purposes, information needed to resolve billing disputes, scheduling and metering information reasonably necessary to prepare power bills that is not otherwise available to the requesting Party. Such information shall be provided in a timely manner. Information may be exchanged by any means agreed to by the Parties. If such information is subject to a privilege of confidentiality, a confidentiality agreement or statutory restriction under state or Federal law on its disclosure by a Party to this Agreement, then that Party shall endeavor to obtain whatever consents, releases or agreements are necessary from the person holding the privilege to provide such information while asserting the confidentiality over the *information*. - *Information* provided to PBL which is subject to a privilege of confidentiality or nondisclosure shall be clearly marked as such and PBL shall not disclose such information without obtaining the consent of the person or Party asserting the privilege, consistent with BPA's obligation under the Freedom of Information Act. PBL may use such information as necessary to provide service or timely bill for service under this Agreement. PBL shall only disclose information received under this provision to PBL employees who need the information for purposes of this Agreement.

(c) Entire Agreement

This Agreement, including all provisions, exhibits incorporated as part of this Agreement, and documents incorporated by reference, constitutes the entire agreement between the Parties. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement.

(d) Exhibits

The exhibits listed in the table of contents are incorporated into this Agreement by reference. The exhibits may only be revised upon mutual agreement between the Parties unless otherwise specified in the exhibits. The body of this Agreement shall prevail over the exhibits to this Agreement in the event of a conflict.

(e) No Third-Party Beneficiaries

This Agreement is made and entered into for the sole protection and legal benefit of the Parties, and no other person shall be a direct or indirect legal

beneficiary of, or have any direct or indirect cause of action or claim in connection with this Agreement.

(f) Waivers

Any waiver at any time by either Party to this Agreement of its rights with respect to any default or any other matter arising in connection with this Agreement shall not be considered a waiver with respect to any subsequent default or matter. Severability All other provisions and exhibits to this Agreement are independent of Exhibit A (Firm Block Power Sales Agreement) attached hereto, and shall remain in effect even if any or all of such Exhibit A is unlawful, void, or unenforceable.

14. TERMINATION OF AGREEMENT

(a) PACIFICORP may terminate this Agreement through a written notice up to 30 days after FERC grants interim approval for BPA's wholesale power. rates that are effective October 1, 2001.

(b) If BPA does not use BPA's then-current rate case Forward Flat-Block Price Forecast for all estimates of the cost of purchases of flat blocks of power in any such rate case, which are made in advance of the period of delivery and which are made for the rate period established in such rate case that occurs between October 1, 2006, and September 30, 2011, PACIFICORP may terminate this Agreement through a written notice up to 30 days after FERC grants interim approval for BPA's wholesale power rates effective during such period occurring between October 1, 2006, and September 30, 2011. Unless BPA uses its Forward Flat-Block Price Forecast for purposes of (1) pricing its firm power for augmentation purchases; and (2) estimating the cost of augmentation purchases in any or all demonstrations in the rate case of its ability to meet its obligations to the U.S. Treasury, PACIFICORP shall have the termination right specified in this section 14(b). In determining whether this section 14(b) applies, the price of any purchases of firm power for augmentation purposes that are not forecasted to be made on a flat annual basis shall be adjusted to a flat annual price. BPA shall adjust the forecasted price of a shaped augmentation purchase by multiplying such price by the ratio of the forecasted long-run marginal cost for a flat annual purchase to the forecast of the long-run marginal cost for a purchase in the same shape as the shaped augmentation purchase. Although BPA may use its long-run marginal cost of power as its Forward Flat-Block Price Forecast, establishing a Forward Flat-Block Price Forecast that is different than its long-run marginal cost of power shall not be considered a different estimate of the cost of purchases of flat blocks of power under this section 14(b).

15. SIGNATURES

Each signatory represents that he or she is authorized to enter into this Agreement on behalf of the Party for whom he or she signs.

PACIFICORP

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

Exhibit A
 Contract No. OIPB-12230
 October 24, 2000

**FIRM POWER BLOCK
 POWER SALES AGREEMENT**
 executed by the
BONNEVILLE POWER ADMINISTRATION
 and
PACIFICORP
(RL ONLY)

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This BLOCK POWER SALES AGREEMENT (Agreement) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (BPA), and PACIFICORP (PACIFICORP). PACIFICORP is a CORPORATION organized under the laws of the State of OREGON.

RECITALS

This Agreement will replace Contract No. DE-MS79-81BP90424 which is available through September 30, 2001, and offered by BPA pursuant to section 5(b) of the Northwest .Power Act.

BPA has administratively divided its organization into two business lines in order to functionally separate the administration and decision making activities of BPA's power business from the administrative and decision making activities of its transmission business. References *in* this Agreement to the Power Business Line (PBL) are solely for the purpose of establishing which BPA business line is responsible for the administration of this Agreement.

BPA and PACIFICORP agree:

1. TERM

This Agreement takes effect *on* the date signed by the Parties. Performance by the Parties, except for the preparatory actions for performance contained in sections 6, 7, 8, and 15(e) of the body of this Agreement, Exhibit A (Rate Commitments), and Exhibit C (Net Requirements), shall commence on October 1, 2001, and shall continue through September 30, 2011 (Expiration Date).

2. DEFINITIONS

Capitalized terms in this Agreement shall have the meanings defined below, in the exhibits or in context. All other capitalized terms and acronyms are defined in BPA's applicable Wholesale Power Rate Schedules, *including the* General Rate Schedule Provisions (GRSPs), or its successors.

- (a) "Amounts Taken means an amount deemed equal to the amount of power scheduled by PACIFICORP under section 6 of this Agreement or an amount of power as measured at Points of Measurement, as appropriate.
- (b) "Contract Year" or ". CY" means the period that begins each October 1 and which ends the following September 30. .For instance Contract Year 2002 begins October 1, 2001, and continues through September 30, 2002.
- (c) "Contracted Power" means Firm Power provided under this Agreement.
- (d) "Diurnal" means the division of hours of the day between Heavy Load Hours (HUD and Light Load Hours (LLH).
- (e) "Firm Power" means electric power that PBL will make continuously available to PACIFICORP under this Agreement.
- (f) "Northwest Power Act" means the Pacific Northwest Electric Power Planning and Conservation Act of 1980, P.L. 96-501.

- (g) "Party" or "Parties" means PBL and/or PACIFICORP.
- (h) "Points of Measurement" means the interconnection points between BPA, PACIFICORP and other control areas, as applicable. Electric power amounts are established at these points based on metered amounts or scheduled amounts, as appropriate.
- (i) "Point of Receipt" means the points of *interconnection on* the transmission provider's transmission system where Contracted Power will be made available to PACIFICORP's transmission provider by PBL.
- (j) "Power Business Line" or "PBL" means that portion of the BPA organization or its successor that is responsible for the management and sale of BPA's Federal power.
- (k) "Region" means the definition established for "Region" in the Northwest Power Act.
- (l) "Settlement Agreement" means Contract No. 01PB-12229. This Agreement is attached as Exhibit A to the Settlement Agreement.
- (m) "Surplus Firm Power" means surplus firm electric power that is made available and sold consistent with section 5(i) of the Northwest Power Act.
- (n) "Total Retail Load" means all electric power consumption *including electric* system losses, within a utility's distribution system as measured at Points of Measurement, adjusted as needed for unmetered loads or generation, nonfirm or interruptible loads agreed to by the Parties, transfer loads of other utilities served by PACIFICORP and PACIFICORP's transfer loads located in other control areas, and losses on PACIFICORP's transmission system. No distinction is made between load that is served with Contracted Power and load that is served with electric power from other sources.
- (o) "Transmission Business Line" or "TBL" means that portion of the BPA organization or its successor that is responsible for the management and sale of transmission service on the Federal Columbia River Transmission System (FCRTS).

3. APPLICABLE RATES

The Residential Load Firm Power (RL) rate schedule, including the GRSPs, or their successors, apply to power purchases under this Agreement. Purchases under such rate schedule are established as follows:

Residential Load Firm Power Rate

Section 4 of the body of this Agreement, Exhibit A (Rate Commitments), and Exhibit B (Billing) identify rates and Contracted Power amounts subject to the RL rate schedule.

4. RL FIRM POWER PRODUCT

(a) RL Product for Contract Years 2002 Through 2006 PBL shall sell and make available and PACIFICORP shall purchase under the applicable RL rate 251 megawatts (MW) each hour of Contract Years 2002 through 2006.

(b) RL Product for Contract Years 2007 Through 2011 PBL shall sell and make available and PACIFICORP shall purchase, during the period that begins October 1, 2006, and continues through September 30, 2011, under the applicable RL rate a MW amount for each hour during such period determined by BPA pursuant to section 4(b)(2) of the Settlement Agreement. This Agreement shall be amended by the Parties to reflect such MW amounts.

(c) Changes to MW Amounts

The amounts established in sections 4(a) and 4(b) above may be updated pursuant to the Settlement Agreement and section 5 of Exhibit C, Net Requirements.

5. PURCHASE DEFICIENCY

If PBL determines that PACIFICORP purchased less Contracted Power in any month than it was contractually obligated to purchase under this Agreement (Monthly Purchase Deficiency), then such Monthly Purchase Deficiency shall be converted to cash payments to PACIFICORP from PBL or to PBL from PACIFICORP in accordance with the Settlement Agreement.

6. SCHEDULING

All Contracted Power transactions under this Agreement shall be scheduled and implemented consistent with Exhibit D, Scheduling. The procedures for scheduling described in Exhibit D, Scheduling, are the standard utility procedures followed by PBL for power transactions between PBL and other utilities or entities in the Region that require scheduling.

7. DELIVERY

(a) Transmission Service for Contracted Power

This Agreement does not provide transmission services for, or include the delivery of, Contracted Power to PACIFICORP. PACIFICORP shall be responsible for executing one or more wheeling agreements with a transmission supplier for the delivery of Contracted Power-(Wheeling Agreement). The Parties agree to take such actions as may be necessary to facilitate the delivery of Contracted Power to PACIFICORP consistent with the terms, notice, and the time limits contained in the Wheeling Agreement.

(b) Liability for Delivery

PACIFICORP waives any claims against PBL arising under this Agreement for nondelivery of power to any points beyond the applicable Points of Receipt. PBL shall not be liable for any third-party claims related to the delivery of power after it leaves the Points of Receipt. In no event will either Party be liable under this Agreement to the other Party for damage that results from any sudden, unexpected, changed, or abnormal electrical *condition occurring* in or on any electric system, regardless of ownership. These limitations on liability apply regardless of whether or not this Agreement provides for transfer service.

(c) Points of Receipt

PBL shall make Contracted Power available to PACIFICORP under this Agreement at Points of Receipt solely for the purpose of scheduling transmission to points of delivery on PACIFICORP's system for the purpose of delivery to PACIFICORP's distribution system. PACIFICORP shall schedule, if scheduling is necessary, such Contracted Power solely for use by - its firm retail electric power consumer load. PBL, for purposes of scheduling transmission for delivery under this Agreement, specified Points of Receipt in a written notice to PACIFICORP prior to August 1, 2000. ,

If required by the Wheeling Agreement when PBL designates such Points of Receipt, PBL will provide capacity amounts for transmission under the Wheeling Agreement associated with the initial Points of Receipt that can be accepted as firm Points of Receipt under PACIFICORP's Wheeling Agreement (except in the event that all Points of Receipt on the Federal Columbia River Power System (FCRPS) would be considered nonfirm). The sum of capacity amounts requested by PBL shall not exceed the amount of Contracted Power specified in section 4 of this Agreement. Such Points of Receipt and their capacity amounts may only be changed through mutual agreement. However, at any time PBL may request the use of a nonfirm Point of Receipt to provide Contracted Power to PACIFICORP, but, notwithstanding section 7(b).above, PBL shall reimburse PACIFICORP for any additional costs.

(d) Transmission Losses

PBL shall provide PACIFICORP the losses, between the Points of Receipt and the point of interconnection between the BPA Control Area and the Control Area in which PACIFICORP resides, for Contracted Power, at no additional charge. Losses will be provided at Points of Receipt as established under section 7(c), and under the terms and conditions as defined in the transmission provider's tariff.

(e) Future Exchange

If during the term of this Agreement, the Parties determine that it would be mutually beneficial to enter into a power exchange agreement (or other similar agreement) that would allow PACIFICORP to deliver Contracted Power to its residential and small farm loads in its Idaho jurisdiction,

amounts allocated for such jurisdiction, then the parties agree to negotiate in good faith such an agreement.

8. MEASUREMENT

- (a) Amounts Taken are deemed equal to the amount scheduled by PACIFICORP under section 6 of this Agreement or an amount of power as measured at Points of Measurement, as appropriate.
- (b) PACIFICORP shall provide reasonable notice to PBL prior to changing control areas.

9. BILLING AND PAYMENT

(a) Billing

PBL shall bill PACIFICORP monthly, consistent with applicable BPA rates, including the GRSPs and the provisions of this Agreement for the Amounts Taken and other services provided to PACIFICORP in the preceding month or-months under this Agreement. PBL may send PACIFICORP an estimated bill followed by a final bill. PBL shall send all bills on the bill's issue date either electronically or by mail, at PACIFICORP's option. If electronic transmittal of the entire bill is not practical, PBL shall transmit a summary electronically, and send the entire bill by mail.

(b) Payment

Payment of all bills, whether estimated or final, must be received by the 20th day after the issue date of the bill (Due Date). If the 20th day is a Saturday, Sunday, or Federal holiday, the Due Date is the next business day. If payment has been made on an estimated bill before receipt of a final bill for the same month, PACIFICORP shall pay only the amount by which the final bill exceeds the payment made for the estimated bill. PBL shall provide PACIFICORP the amounts by which an estimated bill exceeds a final bill through either a check or as a credit on the subsequent month's bill. After the Due Date, a late payment charge shall be applied each day to any unpaid balance. The late payment charge is calculated by dividing the Prime Rate for Large Banks as reported in the Wall Street Journal, plus 4 percent; by 365. The applicable Prime Rate for Large Banks shall be the rate reported on the first day of the month in which payment is received. PACIFICORP shall pay by electronic funds transfer using BPA's established procedures. PBL may terminate this Agreement if PACIFICORP is more than three months behind in paying its bills under this Agreement and PACIFICORP cannot demonstrate an ability to make the payments owed.

Disputed Bills In case of a billing dispute, PACIFICORP shall note the disputed amount and pay its bill in full by the Due Date. Unpaid bills (including both disputed and undisputed amounts) are subject to late payment charges provided above. If PACIFICORP is entitled to a refund of any portion of the

disputed amount, then BPA shall make such refund with simple interest computed from the date of receipt of the disputed payment to the date the refund is made. The daily interest rate used to determine the interest is calculated by dividing the Prime Rate for Large Banks as reported in the Wall Street Journal; by 365. The applicable Prime Rate for Large Banks shall be the rate reported on the first day of the month in which payment is received by BPA.

10. NOTICES

Any notice required under this Agreement shall be in writing and shall be delivered: (a) in person; (b) by a nationally recognized delivery service; or (c) by United States Certified Mail. Notices are effective when received. Either Party may change its address for notices by giving notice of such change consistent with this section.

If to PACIFICORP, to:

PACIFICORP

825 NE Multnomah St.

Portland, OR 97232

Attn: Terry Hudgens

Senior Vice President, Power Supply

Phone: 503-813-6549

FAX: 503-813-7248

E-Mail: terry.hudgens@pacificorp.com

And to:

If to PBL:

Bonneville Power Administration

P.O. Box 3621

Portland, OR 97208-3621

Attn: Mark E. Miller - PTS-5

Account Executive

Phone: 503-230-4003

FAX: 503-230-4003

E-Mail: memiller@bpa.gov

PACIFICORP

825 NE Multnomah St.

Portland, OR 97232

Attn: Colin Persichetti

Manager, Contract Administration

Phone: 503-251-5283

FAX: 503-408-3609

E-Mail: colin.persichetti@pacificorp.com

11. COST RECOVERY

(a) Nothing included in or omitted from this Agreement creates or extinguishes any right or obligation, if any, of BPA to assess against PACIFICORP and PACIFICORP to pay to BPA at any time a cost under recovery charge pursuant to an applicable transmission rate schedule or otherwise applicable law.

(b) BPA may adjust the rates for Contracted Power set forth in the applicable power rate schedule during the term of this Agreement pursuant to the Cost Recovery Adjustment Clause in the 2002 GRSPs, or successor GRSPs.

12. UNCONTROLLABLE FORCES

PBL shall not be in breach of its obligation to provide Contracted Power and PACIFICORP shall not be in breach of its obligation to purchase Contracted Power to the extent the failure to fulfill that obligation is due to an Uncontrollable Force. "Uncontrollable Force" means an event beyond the reasonable control of, and without the fault or negligence of, the Party claiming the Uncontrollable Force that impairs that Party's ability to perform its contractual obligations under this Agreement and which, by exercise of that Party's reasonable diligence and foresight, such Party could not be expected to avoid and was unable to avoid. Uncontrollable Forces include, but are not limited to:

(a) any unplanned curtailment or interruption for any reason of firm transmission used to deliver Contracted Power to PACIFICORP's facilities or distribution system, including but not limited to unplanned maintenance outages;

(b) any unplanned curtailment or interruption, failure or imminent failure of PACIFICORP's distribution facilities, including but not limited to unplanned maintenance outages;

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(c) any planned transmission or distribution outage that affects either PACIFICORP or PBL which was provided by a third-party transmission or distribution owner, or by a transmission provider, including TBL and PACIFICORP, that is functionally separated from the generation provider in conformance with Federal Energy Regulatory Commission (FERC) Orders 888 and 889 or its successors;

(d) strikes or work stoppage, including the threat of imminent strikes of work stoppage;

(e) floods, earthquakes, or other natural disasters; and

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(f) orders or injunctions issued by any court having competent subject matter jurisdiction, or any order of an administrative officer which the Party claiming the Uncontrollable Force, after diligent efforts, was unable to have stayed, suspended, or set aside pending review by a court of competent subject matter jurisdiction.

Neither the unavailability of funds or financing, nor conditions of national or local economies or markets shall be considered an Uncontrollable Force. The economic hardship of either Party shall not constitute an Uncontrollable Force. Nothing contained in this provision shall be construed to require either Party to settle any strike or labor dispute in which it may be involved.

The Party claiming the Uncontrollable Force shall notify the other Party as soon as practicable of that Party's inability to meet its obligations under this Agreement due to an Uncontrollable Force. The Party claiming the Uncontrollable Force also

agrees to notify any control area involved in the scheduling of a transaction which may be curtailed due to an Uncontrollable Force.

Both Parties shall be excused from their respective obligations, other than from payment obligations incurred prior to the Uncontrollable Force, without liability to the other, for the duration of the Uncontrollable Force and the period reasonably required for the Party claiming the Uncontrollable Force, using due diligence, to restore its operations to conditions existing prior to the occurrence of the Uncontrollable Force.

13. GOVERNING LAW AND DISPUTE RESOLUTION

(a) This Agreement shall be interpreted consistent with and governed by Federal law. Final actions subject to section 9(e) of the Northwest Power Act are not subject to binding arbitration and shall remain within the exclusive jurisdiction of the United States-Ninth Circuit Court of Appeals. Any dispute regarding any rights of the Parties under any BPA policy, including the implementation of such policy, shall not be subject to arbitration under this Agreement. PACIFICORP reserves the right to seek judicial resolution of any dispute arising under this Agreement that is not subject to arbitration under this section 13. For purposes of this section 13 BPA policy means any written document adopted by BPA as a final action in a decision record or record of decision that establishes a policy of general application, or makes a determination under an applicable statute. If either Party asserts that a dispute is excluded from arbitration under this section 13, either Party may apply to the Federal court having jurisdiction for an order determining whether such dispute is subject to arbitration under this section 13.

(b) Any contract dispute or contract issue between the Parties arising out of this Agreement, except for disputes that are excluded through section 13(a) above, shall be subject to binding arbitration. The Parties shall make a good faith effort to resolve such disputes before initiating arbitration proceedings. During arbitration, the Parties shall continue performance under this Agreement pending resolution of the dispute, unless to do so would be impossible or impracticable.

(c) Any arbitration shall take place in Portland, Oregon, unless the Parties agree otherwise. The CPR Institute for Dispute Resolution's arbitration procedures for commercial arbitration, Non-Administered Arbitration Rules (CPR Rules), shall be used for each dispute; **provided, however,** that: (1) the Parties shall have the discovery rights provided in the Federal Rules of Civil Procedure unless the Parties agree otherwise; and (2) for claims of \$1 million or more, each arbitration shall be conducted by a panel of three neutral arbitrators. The Parties shall select the arbitrators from a list containing the names of 15 qualified individuals supplied by the CPR Institute for Dispute Resolution. If the Parties cannot agree upon three arbitrators on the list within 20 business days, they shall take turns striking names from the list of proposed arbitrators. The Party initiating the

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arbitration shall take the first strike. This process shall be repeated until three arbitrators remain on the list, and those individuals shall be designated as the arbitrators. For disputes involving less than \$1 million, a single neutral arbitrator shall be selected consistent with section 6 of the CPR Rules.

(d) Except for arbitration awards which declare the rights and duties of the Parties under the Agreement, the payment of monies shall be the exclusive remedy available in any arbitration proceeding. Under no circumstances shall specific performance be an available remedy against BPA. The arbitration award shall be final and binding on both Parties, except that either Party may seek judicial review based upon any of the grounds referred to in the Federal Arbitration Act, 9 U.S.C. §1-16 (1988). Judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof.

(e) Each Party shall be responsible for its own costs of arbitration, including legal fees. The arbitrator(s) may apportion all other costs of arbitration between the Parties in such manner as they deem reasonable taking into account the circumstances of the case, the conduct of the Parties during the proceeding, and the result of the arbitration.

14. STATUTORY PROVISIONS

(a) Annual Financial Report and Retail Rate Schedules PACIFICORP shall provide PBL with a current copy of its annual financial report and its retail rate schedules, as required by Section 5(a) of the Bonneville Project Act, P.L. 95-329.

(b) Insufficiency and Allocations

If BPA determines, consistent with section 5(b) of the Northwest Power Act and other applicable statutes, that it will not have sufficient resources on a planning basis to serve its loads after taking all actions required by applicable laws then BPA shall give PACIFICORP a written notice that BPA may restrict service. Such notice shall be consistent with BPA's insufficiency and allocations methodology, published in the Federal Register on March 20, 1996, and shall state the effective date of the restriction, the amount of PACIFICORP load to be restricted, and the expected duration of the restriction. BPA shall not change that methodology without the written agreement of all affected customers. Such restriction shall take effect no sooner than five years after notice is given to PACIFICORP. If BPA imposes a restriction under this provision then the amount of Contracted Power that PACIFICORP is obligated to purchase pursuant to section 4 shall be reduced to the amounts available under such restricted service.

(c) Priority of Pacific Northwest Customers The provisions of sections 9(c) and (d) of the Northwest Power Act and the provisions of P.L. 88-552 as amended by the Northwest Power Act are incorporated into this Agreement by reference. BPA agrees that

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PACIFICORP, together with other customers in the Region shall have priority to BPA power, consistent with such provisions.

(d) Prohibition on Resale

PACIFICORP' shall not resell RL Contracted Power except to serve PACIFICORP's Total Retail Load or as otherwise permitted by Federal law.

(e) Use of Regional Resources

(1) Within 60 days prior to the start of each Contract Year, PACIFICORP shall notify PBL of any firm power from a generating resource, or a contract resource during its term, that has been used to serve firm consumer load in the Region that PACIFICORP plans to export for sale outside the Region in the next Contract Year. PBL may during such Contract Year request additional information on PACIFICORP resources if PBL has information that PACIFICORP may have made such an export and not notified PBL. -PBL may request and PACIFICORP shall provide within 30 days of such request, information on the planned use of any or all of PACIFICORP's generating and contractual resources.

(2) PACIFICORP shall be responsible for monitoring any firm power from generating resources and contract resources it sells in the Region to ensure such firm power is delivered to be used to serve firm consumer load in the Region.

(3) If PACIFICORP fails to report to PBL in accordance with section (1), above, any of its planned exports for sale outside the Region of firm power from a generating resource or a contract resource that has been used to serve firm consumer load in the Region, and PBL makes a finding that an export which was not reported was made, then PBL ' may terminate this Agreement upon 30 days written notice to PACIFICORP. If PBL concludes that the failure to report is inadvertent and unlikely to reoccur PBL shall not terminate this Agreement and may instead elect to decrement the amount of Contracted Power by up to two times the amount of the export that. was not reported. When applicable such decrements shall be established consistent with section 4(c) of Exhibit C.

(4) For purposes of this section, an export for sale outside the Region - means a contract for the sale or disposition of firm power from a generating resource, or a contract resource during its term, that has been used to serve firm consumer load in the Region in a manner that such output is not planned to be used solely to serve firm consumer load in the Region. Delivery of firm power outside the Region under a seasonal exchange agreement that is made consistent with BPA's section 9(c) policy will not be considered an export. Firm power from a generating resource or contract resource used to serve firm

consumer load in the Region means the firm generating or load carrying capability of a generating resource or contract resource as established under Pacific Northwest Coordination Agreement resource planning criteria, or other resource planning criteria generally used for such purposes within the Region.

(f) BPA Appropriations Refinancing Act

The Parties agree that the BPA Refinancing Section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (The BPA Refinancing Act), P.L. 104-134, 110 Stat. 1321, 1350, as stated in the United States Code on the date this Agreement is signed by the Parties, is incorporated by reference and is a material term of this Agreement. The Parties agree that this provision and the incorporated text shall be included in subsequent agreements between the Parties, as a material term through at least September 30, 2011.

15. STANDARD PROVISIONS

(a) Amendments

No oral or written amendment, rescission, waiver, modification or other change of this Agreement shall be of any force or effect unless set forth in a written instrument signed by authorized representatives of each Party.

(b) Assignment

This Agreement is binding on any successors and assigns of the Parties. BPA may assign this Agreement to another Federal agency to which BPA's statutory duties have been transferred. Neither Party may otherwise transfer or assign this Agreement, in whole or in part, without the other Party's written consent. Such consent shall not be unreasonably withheld. BPA shall consider any request for assignment consistent with applicable BPA statutes. PACIFICORP may not transfer or assign this Agreement to any of its retail customers.

(c) Information Exchange and Confidentiality

The Parties shall provide each other with any information that is reasonably required, and requested by either Party in writing, to operate under and administer this Agreement, including load forecasts for planning purposes, information needed to resolve billing disputes, scheduling and metering information reasonably necessary to prepare power bills that is not otherwise available to the requesting Party. Such information shall be provided in a timely manner. Information may be exchanged by any means agreed to by the Parties. If such information is subject to a privilege of confidentiality, a confidentiality agreement or statutory restriction under state or Federal law on its disclosure by a Party to this Agreement, then that Party shall endeavor to obtain whatever consents, releases, or agreements are necessary from the person holding the privilege to provide such information while asserting the confidentiality over the information. Information provided to BPA which is subject to a privilege of confidentiality or nondisclosure shall.

be clearly marked as such and BPA shall not disclose such information without obtaining the consent of the person or Party asserting the privilege, consistent with BPA's obligation under the Freedom of Information Act. BPA may use such information as necessary to provide service or timely bill for service under this Agreement. BPA shall only disclose information received under this provision to BPA employees who need the information for purposes of this Agreement.

(d) Entire Agreement

This Agreement, including all provisions, exhibits incorporated as part of this Agreement, and documents incorporated by reference, constitutes the entire agreement between the Parties. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement.

(e) Exhibits

The exhibits listed in the table of contents are incorporated into this Agreement by reference. The exhibits may only be revised upon mutual agreement between the Parties unless otherwise specified in the exhibits. The body of this Agreement shall prevail over the exhibits to this Agreement in the event of a conflict.

(f) No Third-Party Beneficiaries

This Agreement is made and entered into for the sole protection and legal benefit of the Parties, and no other person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this Agreement.

(g) Waivers

Any waiver at any time by either Party to this Agreement of its rights with respect to any default or any other matter arising in connection with this Agreement shall not be considered a waiver with respect to any subsequent default or matter.

(h) BPA Policies

Any reference in this Agreement to BPA policies, including without limitation BPA's NLSL Policy and the 5(~)/9(c) Policy, and any revisions thereto, does not constitute agreement by PACIFICORP to such policy, nor shall it be construed to be a waiver of the right of PACIFICORP to seek judicial review of any such policy.

(i) Severability

If any term of this Agreement is found to be invalid by a court of competent jurisdiction then such term shall remain in force to the maximum extent permitted by law. All other terms shall remain in force unless that term is determined not to be severable from all other provisions of this Agreement by such court.

Exhibit A
RATE COMMITMENTS

1. DEFINITIONS

(a) "5-Year Rate" means the Lowest RL Rate established in the 2002 Wholesale Power Rate Case for Contract Years 2002 through 2006.

(b) "Lowest PF Rate" means the lowest applicable cost-based power rate provided under the applicable PF rate schedule as applied to purchases of Firm Power by BPA's preference customers at 100 percent annual load factor. The applicable power rate shall be the PF rate for the same period as the RL Rate for the Firm Power purchases provided under this Agreement.

(c) "Lowest RL Rate" means the lowest applicable cost-based power rate provided under the applicable RL rate schedule as applied to PACIFICORP's Contracted Power purchases under this Agreement at 100 percent annual load factor. The Lowest RL Rate shall be selected by PACIFICORP from the RL rate that are available and from which the Parties agree PACIFICORP is eligible to purchase under at the time PACIFICORP makes its selection as specified in this exhibit.

2. PURCHASE DURATION

PACIFICORP shall purchase all of the power provided in section 4 of the body of this Agreement for the entire term of this-Agreement.

3. RESIDENTIAL LOAD FIRM POWER RATE TREATMENT

(a) Right to Lowest RL Rates

PACIFICORP is contractually guaranteed through September 30, 2011 the Lowest RL Rates established in a successor BPA power rates proceeding for its RL Contracted Power purchases under this Agreement. This section shall not be construed to waive; alter, or amend any right that PACIFICORP may have under applicable statutes.

(b) Revisions to Residential Load Firm Power Rates

BPA agrees that the 5-Year Rates available to PACIFICORP consistent with this exhibit shall not be subject to revision during their respective terms, except for the application of a Cost Recovery Adjustment Clause as provided in the applicable RL applicable rate schedule and GRSPs and this Agreement.

(c) 5-Year Rates Treatment

All Contracted Power purchases provided under section 4 of the body of this Agreement are subject to the 5-Year Rates. The monthly energy rates for Contracted Power are specified in sections II and III in the section labeled

"Schedule RL-02 Residential Load Firm Power" in the 2002 Power Rate Schedules.

PACIFICORP must select a follow-on rate period and associated rates from those offered by BPA, and notify PBL of its selection, by the later of:

- (1) six months prior to the expiration of the 5-Year Rates; or
- (2) thirty (30) days after the date BPA's initial proposal for successor rates is published.

Otherwise the follow on rate period and associated rates shall be the shortest rate period and associated rates that are applicable to PACIFICORP. Subject to establishment in BPA's rate case, and subject to BPA's statutory requirements, the Lowest RL Rates shall be approximately equal to the Lowest PF Rate.

4. SPECIAL RL LOAD TREATMENT

Environmentally Preferred Power PACIFICORP may request Environmentally Preferred Power. If available, the Parties shall amend this Agreement to include necessary provisions as mutually agreed.

5. REVISIONS

If this exhibit is inconsistent with BPA's 2002 RL Power Rate Schedule as finally approved by FERC, the Parties shall make a good faith effort to amend this exhibit so that it is consistent.

The Parties shall update this exhibit to reflect necessary changes to establish new rate choices consistent with the applicable future rate cases. This shall be done by mutual agreement except as allowed in section 3 of this exhibit.

SETTLEMENT AGREEMENT

executed by the

**BONNEVILLE POWER ADMINISTRATION
and****PORTLAND GENERAL ELECTRIC****Table of Contents**

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This SETTLEMENT AGREEMENT (Agreement) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (BPA), and PORTLAND GENERAL ELECTRIC (PGE). PGE is a Corporation organized under the laws of the State of Oregon BPA and PGE are sometimes referred to in the singular as "Party" or in the plural as "Parties."

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RECITALS,

The Northwest Power Act establishes a Residential Exchange Program to provide benefits to residential and small farm consumers of Pacific Northwest utilities.

BPA implements the Residential Exchange Program through the offer, when requested, of a Residential Purchase and Sale Agreement.

BPA and PGE desire to enter into this Agreement in order to settle the Parties' rights and obligations for the Residential Exchange Program for the term of this Agreement.

The Parties agree:

1. TERM

This Agreement takes effect on the date signed by the Parties. Performance of this Agreement by the Parties shall begin on July 1, 2001, and shall continue through September 30, 2011 (Expiration Date), unless terminated earlier pursuant to section 14 below.

2. DEFINITIONS

(a) "Contract Year" means each period during the term of this Agreement that begins each October 1 and which ends the following September 30. For instance, Contract Year 2002 begins October 1, 2001, and continues through September 30, 2002.

(b) "Deemer Account" means the separate account established pursuant to section 10 of the 1981 Residential Purchase and Sale Agreement between PGE and BPA that identifies a monetary payment plus interest that would have been owed to BPA by PGE if PGE had not "deemed" its Average System Cost equal to the PF Exchange rate.

(c) "Firm Power" means electric power that PBL will make continuously available to PGE under the Firm Power Block Power Sales Agreement.

(d) "Firm Power Block Power Sales Agreement" means Contract No. OOPB-12167, attached to this Agreement as Exhibit A.

(e) "Forward Flat-Block Price Forecast" means BPA's forecast of the wholesale market price for the purchase of additional amounts of power at 100 percent annual load factor established in the same SPA power rate case as that which established the RL rate and for the period of the RL Rate established in a BPA power rate case Record of Decision (ROD) as finally approved by the Federal Energy Regulatory Commission and affirmed, if appealed, by the United States Court of Appeals for the Ninth Circuit.

"Lowest PF Rate" means the lowest applicable cost-based power rate provided under the applicable PF rate schedule as applied to purchases of Firm Power by BPA's preference customers at 100 percent annual load factor. The applicable power rate shall be the PF rate for the same period as the RL Rate for the Firm Power purchases provided under the Firm Power Block Power Sales Agreement.

(g) "Monetary Benefit" means the monetary settlement benefits provided under this Agreement as determined pursuant to the methodology described in section 4(c) below.

(h) "Northwest Power Act" means the Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501. '

(i) "Qualified Entity" means an entity authorized under state law or by order of the applicable state regulatory authority to serve all or a portion of PGE's Residential Load.

(j) "RL Rate" means the then-current applicable Residential Load Firm Power rate schedule.

(k) "Residential Exchange Program" means the program established under section 5(c) of the Northwest Power Act.

(l) "Residential Load" means the load eligible to receive benefits under this Agreement, as such load is defined in Exhibit B.

(m) "Residential Purchase and Sale Agreement," or "RPSA," means an agreement between BPA and a Pacific Northwest utility that implements the Residential Exchange Program.

3. SATISFACTION OF SECTION 5(c) OBLIGATIONS

(a) Satisfaction of Section 5(c) Obligations

BPA shall, in full and complete satisfaction of all of its obligations during the period from July 1, 2001, through September 30, 2011, under or arising out of section 5(c) of the Northwest Power Act, provide to PGE: (1) cash payments for the period that begins July 1, 2001, and ends on September 30, 2001, pursuant to section 3(d) of this Agreement; and (2) beginning October 1, 2001, Firm Power or Monetary Benefit payments, or both, pursuant to sections 4 and 5 of this Agreement. PGE agrees that the cash payments, Firm Power or Monetary Benefits, or both, provided under this Agreement satisfy all of BPA's obligations during the period from July 1, 2001, through September 30, 2011, under or arising out of section 5(c) of the Northwest Power Act.

(b) Invalidity

In the event the United States Court of Appeals for the Ninth Circuit finally determines, after all appeals or requests for reconsideration, that this

Agreement (or section 4(a), section 4(c), or section 5 of this Agreement) is unlawful, void, or unenforceable, then the provisions of section 3(a) above shall be of no further force or effect, and the Parties intend and agree that: (1) the cash payments pursuant to section 3(d), the Firm Power, and Monetary Benefits provided prior to such final determination shall be retained by PGE; and (2) the satisfaction of BPA's obligations to PGE under section 5(c) of the Northwest Power Act prior to such final determination shall be preserved, to the maximum extent permitted by law. This section 3(b) shall survive notwithstanding any determination that any other provision of this Agreement (or the exhibits) is unlawful, void, or unenforceable.

(c) Negotiation of New Agreement if this Agreement Held Invalid
If this Agreement (or section 4(a), section 4(c), or section 5 of this Agreement) is finally determined to be unlawful, void, or unenforceable as described in section 3(b) above; then both Parties agree to negotiate in good faith a new, mutually acceptable agreement that would, until the end of its term, be in satisfaction of BPA's obligations under or arising out of section 5(c) of the Northwest Power Act. The term of such new agreement would continue for the remaining term of this Agreement.

(d) Payments by BPA for the Period Beginning July 1, 2001, and Continuing through September 30, 2001
For the three calendar month period that begins July 1, 2001, and continues through September 30, 2001, BPA shall pay PGE \$2,697,384. Payment for each of these calendar months shall be in equal amounts of \$899,128 and shall be paid on or before the last business day of each such month. BPA shall pay by electronic funds transfer using PGE's established procedures.

4. SETTLEMENT BENEFITS

(a) Total Benefits
BPA shall provide to PGE a total benefit comprised of Firm Power and Monetary Benefit, both of which are expressed in annual average megawatts (aMW). This total benefit is as follows:

Total of Firm Power and Monetary ' Benefit for				
Period of Timing	PGE annual aMW)	Oregon annual aMW)	State 2 (annual aMW	State 8 (annual aMW
10/1/01 through 9/30/06	490	490	0	0
10/1/06 through 9/30/11	560	560	0	0

The allocation and disposition of this total benefit between Firm Power and Monetary Benefit is described in sections 4(b) and 4(c) below.

(b) Firm Power Sale Portion of Total Benefits

(1) October 1, 2001, through September 30, 2006

(A) Subject to the terms of this Agreement, BPA shall make available and sell, and PGE shall purchase, Firm Power at a "flat" rate of delivery (100 percent annual load factor) during every hour under the RL Rate. The terms and conditions for this sale shall be as provided for in the Firm Power Block Power Sales Agreement, attached hereto as Exhibit A. The annual amounts of Firm Power are as follows:

Period of Time	Firm Power annual aMWI	Oregon annual aMWI	State 2 annual aMWI	State 3 (annual aMWI)
10/1/01 through 9/30/06	258	258	0	0

(B) If PGE terminates the Firm Power Block Power Sales Agreement pursuant to section 16 of such agreement, BPA shall convert the Firm Power sale to Monetary Benefits and provide Monetary Benefits in the amount of the Firm Power sale, pursuant to section 4(c) below (except as provided in section 5(a)(6) below), from the effective date of such termination through September 30, 2006.

(C) If an investor-owned utility signs an agreement settling the rights of such utility under the Residential Exchange Program and that utility takes Monetary Benefits instead of the Firm Power offered by BPA, BPA shall offer to amend PGE's Settlement Agreement to substitute Firm Power for Monetary Benefits. The amount of Firm Power offered by BPA shall be PGE's share of the amounts of Firm Power not taken by an investor-owned utility, based on the allocation methodology described in the Administrator's Record of Decision, issued with agreements offered to settle the rights of investor-owned utilities under the Residential Exchange Program. BPA shall determine whether such amounts of Firm Power are available as soon as possible after the expiration of the termination right in section 14 of such agreements offered to settle the rights under the Residential Exchange Program. PGE shall have 30 days to accept the offer.

(2) October 1, 2006, through September 30, 2011

(A) Subject to the terms of this Agreement, BPA shall, no later than October 1, 2005, notify PGE in writing of the amount of Firm Power in annual aMW that will be provided to PGE during the period that begins October 1, 2006, and ends on

September 30, 2011. The terms and conditions for this sale shall also be as provided for in the Firm Power Block Power Sales Agreement, and such agreement shall be amended by the Parties to reflect the amount of Firm Power to be sold during such period. BPA shall not offer an amount of Firm Power that exceeds PGE's net requirement at the time of the notice issued pursuant to this section. Prior to issuing such notice, BPA shall consult with PGE regarding its desire for Firm Power or Monetary Benefits.

(B) If PGE does not purchase any Firm Power during the period from October 1, 2001, through September 30, 2006, PGE shall establish an initial net requirement under Exhibit C of the Firm Power Block Power Sales Agreement by August 1, 2005, for Contract Year 2007. PGE shall execute a contract including the terms and conditions of the Firm Power Block Power Sales Agreement, and the information provided on net requirements under this section by January 1, 2006, if BPA notifies PGE under section 4(b)(2)(A) that a portion of its benefits under section 4(a) will be provided as Firm Power.

(C) If the RL Rate calculated at 100 percent annual load factor for the period from October 1, 2006, through September 30, 2011, exceeds the Lowest PF Rate for the same 100 percent *annual* load factor during such period, PGE may, by written notice to BPA within 30 days after BPA published its power rate case ROD, notify BPA that it will convert its entire Firm Power purchase under the Firm Power Block Power Sales Agreement to Monetary Benefits, pursuant to section 4(c) below (except as provided in section 5(a)(6) below), for the remaining term of this Agreement.

(c) Monetary Benefit Portion of Total Benefits

(1) Amount of Monetary Benefit

(A) October 1, 2001, through September 30, 2006 BPA shall provide the following Monetary Benefits expressed in annual aMW to PGE for the period that begins October 1, 2001, and continues through September 30, 2006.

Period of Time	Monetary Benefit (annual aMW),	Oregon (annual aMW)	State 2 (annual aMW)	State 3 (annual aMW)
10/1/01 through 9/30/06	232	232	0	0

(B) October 1, 2006, through September 30, 2011 BPA shall, no later than October 1, 2005, notify PGE in writing of the amount of Monetary Benefit expressed in annual aMW, for which payments will be made to PGE during the period ' that begins October 1, 2006, and continues through September 30, 2011.

(2) Determination of Monetary Benefit Monthly Payment Amounts

(A) October 1, 2001, through September 30, 2006 The Monetary Benefit monthly payment amounts shall be determined in accordance with the following formula:

$$MP = \frac{(FBPF - .RL) \times AM \times 8,760 \text{ hours } (8,784 \text{ hours in leap years})}{12 \text{ months}}$$

Where:

MP = Monthly Payment Amount

FBPF = Forward Flat-Block Price Forecast established in the same BPA power rate case as that which established the RL Rate during the period beginning October 1, 2001, through September . 30, 2006.

RL = The RL Rate calculated at 100 percent annual load factor.

MB = Monetary Benefit amount in annual aMW.

(B) October 1, 2006, through September 30, 2011 The Monetary Benefit monthly payment amounts shall be determined in accordance with the following formula:

$$MP = \frac{(FBPF - RL) \times MB \times 8,760 \text{ hours } (8,784 \text{ hours in leap years})}{12 \text{ months}}$$

Where:

MP = Monthly Payment Amount

FBPF = Forward Flat-Block Price Forecast established in the same BPA power rate case as that which established the R,L Rate during the period

beginning October 1, 2006, through September 30, 2011.

RL = The RL Rate calculated at 100 percent annual load factor.

MB = Monetary Benefit amount in annual aMW.

(C) Exception to Use of RL Rate in Sections 4(c)(2)(A) and 4(c)(2)(B) If, for the purposes of the formulas shown in sections 4(c)(2)(A) and 4(c)(2)(B) above, there is: (i) no RL Rate in effect; or (ii) the RL Rate exceeds the Lowest PF Rate, then the Lowest PF Rate shall replace the RL Rate in such formulas. Use of the Lowest PF Rate. in such event shall apply to Monetary Benefits provided in accordance with sections 4(b)(1)(B), 4(b)(2)(C), and 4(c)(1).

(3) Payment Provisions

BPA shall pay "PGE" the monthly Monetary Benefit as determined in section 4(c)(2). The monthly Monetary Benefit shall be netted against the monthly payment amounts PGE owes BPA for Firm Power purchased in accordance with section 4(b). If the monthly Monetary Benefit exceeds the monthly amount PGE owes BPA, then BPA shall pay PGE either: (A) on the due date of the bill issued under Exhibit A; or (B) if PGE is not purchasing power under the Firm Power Block Power Sales Agreement within 30 days of the end of the calendar month for which Monetary Benefits are paid (Due Date). After the Due Date, and for the purposes of section 4(c)(3)(B), a late payment charge is calculated at a daily, simple interest rate determined by dividing the Prime Rate for Large Banks, as reported in the Wall Street Journal, plus 4 percent, by 365. The applicable Prime Rate for Large Banks shall be the rate reported on the first day of the month in which payment was received. BPA shall pay by electronic funds transfer using PGE's established procedures.

5. CASH PAYMENTS IF FIRM POWER NOT DELIVERED

(a) Conditions Under Which Firm Power Not Delivered

(1) Amount of Firm Power Purchased Exceeds Net Requirement If, for any Contract Year, pursuant to section 5 of Exhibit C of the Firm Power Block Power Sales Agreement, there is a reduction in the hourly amounts of Firm Power provided during each hour of the Contract Year or a portion thereof; then the amount of such Firm Power reduction ("Excess Requirements Energy) shall be converted to cash payments as provided for in section 5(b) below.

(2) Firm Power Not Delivered Pursuant to Section 8(b)

If, pursuant to section 8(b) below, monthly amounts of Firm Power cannot be delivered, then such amounts of Firm Power shall be converted to cash payments as provided for in section 5(b) below. '

(3) Insufficiency and Allocations

If, pursuant to section 14(b) of Exhibit A, there is a restriction of power deliveries under this Agreement, then such restricted amounts shall be converted to cash payments as provided in section 5(b) below.

(4) Termination or Decrement for Export of Regional Resource

If, pursuant to section 14(e)(3) of the Firm Power Block Power Sales Agreement; BPA terminates the Firm Power Block Power Sales Agreement, the amounts of Firm Power provided under such agreement shall be converted to cash payments as provided in section 5(b) below. If pursuant to section 14(e)(3) of the Firm Power Block Power Sales Agreement, BPA decrements the amount of Contracted Power under the Firm Power Block Power Sales Agreement; then the amounts of Contracted Power provided *under* such agreement shall be converted to cash payments as provided in section 5(a)(1) above,

(5) Firm Power Not Delivered Due to a Monthly Purchase Deficiency

If, for any month, there is a Monthly Purchase Deficiency, as that term is defined in section 5 of the Firm Power Block Power Sales Agreement for reasons other than Excess Requirements Energy as defined in section 5(a)(1) above, then such amounts) of Monthly Purchase Deficiency shall be converted to cash payments as provided in section 5(b) below.

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(6) Termination of Block Power Sales Agreement

If PGE terminates the Firm Power Block Sales Agreement pursuant to section 16 of such agreement and section 4(c)(2)(C) of this Agreement applies, then section 4(b)(1)(B) of this Agreement shall not apply and the amounts of Firm Power not delivered during any month from the Effective Date of such termination through September 80, 2006, shall be converted to cash payments as provided in section 5(b) below.

(7) Block Power Sales Agreement Held Invalid

If any or all power deliveries under the Firm Block Power Sales Agreement are restricted due to such agreement being unlawful, void, or unenforceable, then such restricted amounts shall be converted to cash payments as provided in section 5(b) below.

(b) Determination of Cash Payment Amounts

APPENDIX A

(1) Default Payment Option

Cash payments pursuant to this section shall be made monthly according to the following formula:

$$FBNDP = (MIDC) - WC - RL) \times MWH$$

Where:

FBNDP = Monthly Cash Payment Amount for Firm Power in MWh not delivered under sections 5(a)(1) through ' bta)(1) above.

MIDC = The average price for the month of the Dow Jones daily firm On-Peak index price at the Mid-C for HLH, and the Dow Jones daily firm Off-Peak index price at the Mid-C for LIE based on volume weighted amounts not delivered to ~GE under Exhibit A. IA in the future, the Mid-C index is no longer available, or does not accurately reflect the value of daily firm energy, then it will be replaced with another prevailing index (or indices) that best represents the market price for firm power traded in eastern Washington.

WC = Wheeling Charge from Federal system generators to the Mid-C point of delivery based on the posted Point-to-Point tariff of BPA's transmission business or its successor over unconstrained paths plus any mandatory posted ancillary service charges and transmission losses for scheduled power under such tariff. If, in the future, the Point-to-Point tariff is no longer available, or does not accurately reflect the cost of wheeling power from Federal system generators to the Mid-C point of delivery, then it will be replaced with a tariff that best represents the cost of wheeling fixed amounts of power between known points over unconstrained transmission paths.

RL = The monthly RL rate calculated at 100 percent load factor for HM and LLH periods.

MWH = Monthly amount of power that cannot be delivered, expressed in megawatthours for HLH and LLH periods.

(2) **PGE Offer of Put Right to BPA**

Rather than receive payments under the default option described in

section 5(b)(1) above, PGE may elect to offer BPA a put right for amounts of power not delivered pursuant to sections 5(a)(1) through 5(a)(4), section 5(a)(6), and section 5(a)(7) subject to the following terms:

(A) No later than 10 days prior to the start of a month, PGE shall notify BPA if it desires to provide BPA with a put right for such month. Such put right shall provide BPA the right to sell the amount of power determined in sections 5(a)(1) through 5(a)(4), section 5(a)(6), and section 5(a)(7) above at the Mid-C index price as specified in section 5(b)(2)(C) below for the applicable delivery period, and at the point of delivery described in section 5(b)(2)(D) below.

(B) If BPA chooses to exercise the put, it must do so prior to 2 p.m. on the later of (i) three business days prior to the end of the month; or (ii) the day prior to the last day of trading for that month on the New York Mercantile Exchange futures market, or the put right expires for that month.

(C) If PGE offers BPA the put right for a given month, then BPA shall pay PGE a cash payment according to the following formula:

$$PRP = (MIDC - RL) \times MWH$$

Where:

PRP = Monthly Cash Payment Amount for Firm Power in MWh not delivered under sections 5(a)(1) through 5(a)(4), section 5(a)(6), and section 5(a)(7).

MIDC = The average price for the month of the Dow Jones daily firm On-Peak index price at the Mid-C for HLH, and the Dow Jones daily firm Off-Peak index price at the Mid-C for 1111 based on volume weighted amounts not delivered to PGE under Exhibit A. If in the future, the Mid-C index is no longer available, or does not accurately reflect the value of daily firm energy, then it will be replaced with another prevailing index (or indices) that best represents the market price for firm power traded in eastern Washington.

RL = The *monthly* RL rate calculated at 100 percent load factor.

MWH =Monthly amount of power that is offered by PGE as a put right, expressed in megawatthours.

(D) The point of delivery for power that is put to PGE will be the same point where BPA makes Firm Power available to PGE in the Firm Power Block Power Sales Agreement to wheel to its load.

(3) Exception to Use of RL Rate in Sections 5(b)(1) and 5(b)(2) If, for the purposes of the formulas shown in sections 5(b)(1) and 5(b)(2) above, there is: (i) no RL Rate in effect; or (ii) the RL Rate exceeds the Lowest PF Rate, then the Lowest PF Rate shall replace the RL Rate *in such* formulas: Use of the Lowest PF Rate in such event shall apply to cash payments provided in accordance with sections 5(a); 5(b)(1), and 5(b)(2).

(4) Payment Provisions

If the monthly payment amount determined pursuant to the formulas in sections 5(b)(1) and 5(b)(2) is positive, then BPA shall pay PGE such amount; if any such amount is negative, then PGE shall pay BPA such amount. Monthly payment obligations under this section 5 shall appear as adjustments to BPA's payments or PGE's payments under section 4(c)(3) above.

6. PASSTHROUGH OF BENEFITS

(a) Except as otherwise provided in this Agreement, Firm Power and Monetary Benefit amounts received by PGE from BPA under this Agreement shall be passed through, *in full*, to each residential and small farm consumer, as either: (1) an adjustment in applicable retail rates; (2) monetary payments; or (3) -as otherwise directed by the applicable State regulatory authority.

(b) Monetary payments shall be 'distributed to the Residential Load in a timely manner, as set forth in this section 6(b). The amount of benefits held in the account described in section 6(c) below at any time shall not exceed the expected receipt of monetary payments from BPA under this Agreement over the next 180 days. If the annual monetary payment is less than \$600,000, then PGE may distribute benefits on a less frequent basis provided that distributions are made at least once each Contract Year.

(c) Benefits shall be passed through consistent with procedures developed by PGE's State regulatory authority(s). Monetary Benefits and any cash benefits under section 5 shall be identified on PGE's books of account. Funds shall be held in an interest bearing account, and shall be maintained as restricted funds, unavailable for the operating or working capital needs of PGE. Benefits shall not be pooled with other monies of PGE for short-term

investment purposes. Firm Power shall be delivered monthly, and only to Residential Load.

(d) Nothing in this Agreement shall require that any power be delivered on an unbundled basis to residential and small farm customers of PGE or that PGE provide retail wheeling of such power.

7. AUDIT RIGHTS

BPA retains the right to audit PGE at BPA's expense to determine whether the benefits provided to PGE under this Agreement were provided only to PGE's eligible Residential Load. BPA retains the right to take action consistent with the results of such audit to require the passthrough of such benefits to eligible Residential Load. BPA's right to conduct such audits of PGE with respect to a Contract Year shall expire 60 months after the end of such*Contract Year. As long as BPA has the right to audit PGE pursuant to this Agreement, PGE agrees to maintain records and documents showing all transactions and other activities pertaining to the terms of this Agreement with respect to which BPA has audit rights.

8. ASSIGNMENT

(a) PGE shall be required to assign benefits under this section 8 to BPA if another Qualified Entity serves Residential Load formerly served by PGE unless: (i) BPA has approved an agency agreement for such Qualified Entity under section 8(c); or (ii) BPA has approved a state program for the passthrough of benefits by a distribution utility under section 8(c).

(b) This Agreement is binding on any successors and assigns of the Parties. BPA may assign this Agreement to another Federal agency to which BPA's statutory duties have been transferred. Neither Party may otherwise transfer or assign this Agreement without the other Party's written consent. Such consent shall not be unreasonably withheld; provided, however, that PGE' agrees it shall assign benefits under this Agreement subject to the following terms and conditions:

(1) PGE shall quantify an amount of Residential Load each month served by Qualified Entities that would have been eligible to receive benefits if served by PGE, and provide written notice to BPA of such amount no later than five days prior to the beginning of a month. Such amount shall be determined in account months based on the amounts served by PGE and Qualified Entities in the last full calendar month prior to such written notice to BPA. An account month is the number f days of service to a Residential Load account during a month, divided by the number of days in such month.

(2) Based on the determination in section 8(b)(I) above, PGE shall assign to BPA during the month following such notice a share of the total benefits specified in section 4(a) above. Such share shall be the account months of Residential Load served by Qualified Entities

divided by the account months of Residential Load of PGE that would be eligible to receive benefits, whether or not PGE continues to serve such Residential Load. For purposes of section 8(b)(1) and this section 8(b)(2), the Residential Load of PGE shall not include Residential Load receiving benefits over a new distribution system under section 8(d).

(3) The amounts of Firm Power and Monetary Benefit assigned to BPA shall be in the same proportion as PGE receives under this Agreement.

(4) If the passthrough of benefits is made to consumers under section 8(c) below, then PGE shall retain the Monetary Benefits assigned to BPA under this section 8(b) and the amount of Firm Power determined under this section 8(b) to be assigned to BPA shall be retained by BPA and converted to dollars pursuant to section 5 above. PGE shall use such amount of dollars plus the Monetary Benefits to provide benefits to, individual residential and small farm consumers under section 8(c) -below.

(c) PGE may continue to pass through benefits to individual residential and small farm consumers under this Agreement not served by PGE: (i) if PGE is acting as the agent under an agreement entered into between PGE and a Qualified Entity which has been approved by PGE's applicable state regulatory authority and BPA; or (ii) BPA has approved a program developed by the applicable state regulatory authority providing for the passthrough of benefits received by PGE under this Agreement to all its residential and small farm consumers acting in its capacity as a distribution utility. PGE may, continue to act as an agent for a Qualified Entity until an RPSA is signed by BPA and the Qualified Entity. Such benefits shall be equal to each such consumer's share of the Qualified Entity's share of the Residential Load, as calculated under section 8(b) above. PGE may distribute such benefits on a less frequent basis than monthly, provided that distributions are made at least once each Contract Year.

(d) If a Qualified Entity eligible to purchase Firm Power acquires all or a portion of the distribution system serving the Residential Load of PGE, PGE shall assign to BPA for the remaining term of this Agreement a share of the total benefits specified in section 4(a) above. Such share shall be based on the amount of Residential Load that would have been eligible to receive benefits from the new Qualified Entity for the 12-month period prior to the date of assignment divided by the total of Residential Load of PGE that would have been eligible to receive benefits during that same 12-month period regardless of who served such Residential Load. All provisions of this section 8, other than section 8(b)(2), shall apply to assignments under this section 8(d).

9. DEEMER ACCOUNT BALANCE

As a result of entering this Agreement, neither BPA nor PGE has prejudiced its

right, if any, to assert that a Deemer Account balance, if any, from the 1981-2001 Residential Purchase and Sale Agreement between BPA and PGE is required to be carried over to any subsequent agreement offered by BPA pursuant to section 5(c) of P.L. 96-501.

10. CONSERVATION AND RENEWABLE DISCOUNT

Subject to the terms specified in BPA's applicable Wholesale Power Rate Schedules, including GRSPs, BPA shall apply the Conservation and Renewables Discount to PGE's Monetary Benefits and Firm Power Sale as established in section 4 of this Agreement, unless PGE has notified PBL before August 1, 2001, that it will not participate in the Conservation and Renewable Discount. For purposes of establishing Monetary Benefits and Firm Power amounts eligible for this discount, PGE shall provide PBL a reasonable forecast of its Monetary Benefits and amounts of Firm Power provided pursuant to the Firm Power Block Power Sales Agreement through Contract Year 2006 by no later than August 1, 2001.

If, during any Contract Year, PGE has significant change in the total amount of Monetary Benefits or Firm Power provided pursuant to the Firm Power Block Power Sales Agreement, the Parties may, by no later than August 31 prior to the succeeding Contract Year, revise the forecast used to calculate the Conservation and Renewables Discount. If the revised forecast is less than 95 percent of, or greater than 105 percent of, the forecast used to calculate the existing Conservation and Renewables Discount, the revised forecast shall be used to recalculate the Conservation and Renewables Discount for the succeeding Contract Years.

To retain the full amount of the Conservation and Renewable Discount PGE shall satisfy all obligations associated with the Conservation and Renewables Discount as specified in BPA's applicable Wholesale Power Rate Schedules, including GRSPs, and the Conservation and Renewable Discount implementation manual. PGE shall reimburse BPA for any amount it received but for which it did not satisfy such obligations.

Monetary Benefits shall be treated in the same manner as Firm Power for purposes of any Conservation and Renewable Discount program or similar program based on Firm Power purchases. PGE shall be eligible for the Conservation and Renewable Discount, or any similar program based on Firm Power purchases under section 5(b) of the Northwest Power Act that BPA decides to establish through a section 7(i) hearing for the period that begins October 1, 2006, and ends on September 30, 2011.

11. GOVERNING LAW AND DISPUTE RESOLUTION

This Agreement shall be interpreted in accordance with and governed by Federal law. The Parties shall make a good faith effort to negotiate a resolution of disputes before initiating litigation. During a contract dispute or contract issue between the Parties arising out of this Agreement, the Parties shall continue performance under this Agreement pending resolution of the dispute, unless to do so would be impossible or impracticable. PGE reserves the right to seek judicial resolution of any dispute arising under this Agreement.

12. NOTICE PROVIDED TO RESIDENTIAL AND SMALL FARM CUSTOMERS PGE will ensure that any entity that issues customer bills to PGE residential and small farm consumers shall provide written notice on such customer bills that a portion of their power and associated benefits is "Federal Columbia River Benefits supplied by BPA."

13. STANDARD PROVISIONS

(a) Amendments

No oral or written amendment, rescission, waiver, modification or other change of this Agreement shall be of any force or effect unless set forth in a written instrument signed by authorized representatives of each Party.

(b) Information Exchange and Confidentiality The Parties shall provide each other with .any information that is reasonably required, and requested by either Party in writing, to operate under and administer this Agreement, including load forecasts for planning purposes, information needed to resolve billing disputes, scheduling and metering information reasonably necessary to prepare power bills that is not otherwise available to the requesting Party. Such *information shall* be provided in a timely manner. Information may be exchanged by any means agreed to by the Parties. If such information is subject to a privilege of confidentiality, a confidentiality agreement or statutory restriction under state or Federal law on its disclosure by a Party to this Agreement, then that Party shall endeavor to obtain whatever consents, releases or agreements are necessary from the person holding the privilege to provide such information while asserting the confidentiality over the information. Information provided to PBL which is subject to a privilege of confidentiality or nondisclosure shall be clearly marked as such and PBL shall not disclose such information without obtaining the consent -of the person or Party asserting the privilege, consistent with BPA's obligation under the Freedom of Information Act. PBL may use such information as necessary to provide service or timely bill for service under this Agreement. PBL shall only disclose information received under this provision to PBL employees who need the information for purposes of this Agreement.

(c) Entire Agreement

This Agreement, including all provisions, exhibits incorporated as part of this Agreement, and documents incorporated by reference, constitutes the entire agreement between the Parties. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement.

(d) Exhibits

The exhibits listed in the table of contents are incorporated into this Agreement by reference. The exhibits may only be revised upon mutual

agreement between the Parties unless otherwise specified in the exhibits. The body of this Agreement shall prevail over the exhibits to this Agreement in the event of a conflict.

(e) No Third-Party Beneficiaries

This Agreement is made and entered into for the sole protection and legal benefit of the Parties, and no other person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this Agreement.

(f) Waivers

Any waiver at any time by either Party to this Agreement of its rights with respect to any default or any other matter arising in connection with this Agreement shall not be considered a waiver with respect to any subsequent default or matter.

(g) Severability All other provisions and exhibits to this Agreement. are independent of Exhibit A (Firm Block Power Sales Agreement) attached hereto, and shall remain in effect even if any or all of such Exhibit A is unlawful, void, or unenforceable.

14. TERMINATION OF AGREEMENT

(a) PGE may terminate this Agreement through a written notice up to 30 days after FERC grants interim approval for BPA's wholesale power rates that are effective October 1, 2001.

(b) If BPA does not use BPA's then-current rate case Forward Flat-Block Price Forecast for all estimates of the cost of purchases of flat blocks of power in any such rate case, which are made in advance of the period of delivery and which are made for the rate period established in such rate case that occurs between October 1, 2006, and September 30, 2011, PGE may terminate this Agreement through written notice up to 30 days after FERC grants interim approval for BPA's wholesale power rates effective during such period . occurring between October 1, 2006, and September 30, 2011. Unless BPA uses its Forward Flat-Block Price Forecast for purposes of (1) pricing its firm power for augmentation purchases; and (2) estimating the cost of augmentation purchases in any or all demonstrations in the rate case of its ability to meet its obligations to the U.S. Treasury, PGE shall have the termination right specified in this section 14(b). In determining whether this section 14(b) applies, the price of any purchases of firm power for augmentation purposes that are not forecasted to be made on a flat annual basis shall be adjusted to a flat annual price. BPA shall adjust the forecasted price of a shaped augmentation purchase by multiplying such price by the ratio of the forecasted long-run marginal cost for a flat annual purchase to the forecast of the long-run marginal cost for a purchase in the same shape as the shaped augmentation purchase. Although BPA may use its long-run marginal cost of power as its Forward Flat-Block Price Forecast,

establishing a Forward Flat-Block Price Forecast that is different than its long-run marginal cost of power shall not be considered a different estimate of the cost of purchases of flat blocks of power under this section 14(b).

15. SIGNATURES

Each signatory represents that he or she is authorized to enter into this Agreement on behalf of the Party for whom he or she signs.

PORTLAND GENERAL ELECTRIC

UNITED STATES OF AMERICA

Department of Energy

Bonneville Power Administration

Exhibit B
RESIDENTIAL LOAD DEFINITION

1. PGE's Residential Load means the sum of the loads within the Pacific Northwest eligible for the Residential Exchange Program under the tariff schedules described below. If BPA determines that any action changes PGE's general tariffs or service schedules in a manner which would allow loads other than Residential Loads, as defined in the Northwest Power Act, to be included under these tariff schedules, or that the original general tariffs or service schedules include loads other than Residential Loads, such nonresidential loads shall be excluded from this Agreement.

Such tariff schedules as presently effective include:

(a) for all schedules listed below, include the amount, expressed in kilowatts, of Residential Load supplied by PGE under:

(1) [schedule]

(2) [schedule]

(3) [schedule]

(b) a portion of the Residential Load as determined pursuant to section 2 of this Exhibit B, supplied by the Utility under the Northwest Power Act, section 5(c).

2. Any farm's monthly irrigation and pumping load qualifying hereunder for each billing period shall not exceed the amount of the energy determined by the following formula:

$$\text{Irrigation/Pumping Load} = 400 \times 0.746 \times \text{days in billing period} \times 24$$
 provided, however, that this amount shall not exceed that farm's measured energy for the same billing period.

where:

400 is equal to the horsepower limit defined in the Northwest Power Act,

0.746 is the factor for converting horsepower to kW,

days in billing periods is determined in accordance with prudent and normal utility business practices, and

24 is the number of hours in a day.

3. When more than one farm is supplied from a common pumping installation, the irrigation and pumping load of the installation shall be allocated among the farms

using the installation, based on the method (e.g., water shares, acreage) that the farms use to allocate the power costs among themselves. These allocated loads shall then be combined with any other irrigation and pumping loads attributed to the farms under section 2 of this exhibit. In no instance shall any farm's total qualifying irrigation loads for any billing month exceed 222,000 kWh.

4. For purposes of this Agreement, a farm is defined as a parcel or parcels of land owned or leased by one or more persons (person *includes partnerships*, corporations, or any legal entity capable of owning farm land) that is used primarily for agriculture. Agriculture is defined to include the raising and incidental primary processing of crops, pasturage, or livestock. Incidental primary processing means those activities necessarily undertaken to prepare agricultural products for safe and efficient storage or shipment. All electrical loads ordinarily associated with agriculture as defined above shall be considered as usual farm use.

Contiguous parcels of land under single-ownership or leasehold shall be considered to be one farm. Noncontiguous parcels of land under single-ownership or leasehold shall be considered as 'one farm unit unless demonstrated otherwise by the owner or lessee of the parcels as determined by BPA.

Parcels of land may not be subdivided into a larger number of parcels in order to attempt to increase the number of farms. Ownership or leasehold interests in farms may not be changed in order to attempt to increase the number of farms, for example, by leases to family members or establishment of partnerships, corporations or similar devices. Acquisition of a parcel which was previously a separate farm becomes part of the single farm that acquired the parcel. In order for a *noncontiguous parcel* to constitute a separate farm, the farm must not share any equipment or labor with any other parcel and must maintain separate financial statements, accounting records, and tax returns as of May 1, 2000. Any new farms created after May 1, 2000, must submit an application for exchange benefits to PGE which shall then submit such application to BPA and such application must be reviewed and approved by BPA before the new farm is eligible to receive benefits. A number of additional factors may be used by PAPA to determine whether noncontiguous parcels constitute one or more farms. These factors include but are not limited to:

- use
- ownership
- control
- operating practices
- distance between parcels

5. Unused irrigation allocations may not be reallocated to other farms or to another billing period.

6. The operator of a farm is required to certify to PGE all irrigation accounts, including horsepower rating for that farm, including all irrigation accounts

commonly shared. The operator of a farm is required to provide PGE and BPA all documentation requested to assist in the farm determination.

7. This Exhibit B shall be revised to incorporate additional qualifying tariff schedules, subject to BPA's determination that the loads served under these schedules are qualified under the Northwest Power Act.

**FIRM POWER BLOCK
POWER SALES AGREEMENT**

executed by the
BONNEVILLE POWER ADMINISTRATION
and
PORTLAND GENERAL ELECTRIC
(RL ONLY)

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This BLOCK POWER SALES AGREEMENT (Agreement) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (BPA), and PORTLAND GENERAL ELECTRIC (PGE). PGE is a Corporation organized under the laws of the State of Oregon.

RECITALS

This Agreement will replace Contract No. 81BP90425 which is available through September 30, 2001, and offered by BPA pursuant to section 5(b) of the Northwest Power Act. .

BPA has administratively divided its organization into two business lines in order to functionally separate the administration and decision making activities of BPA's power business from the administrative and decision making activities of its transmission business. References in this Agreement to the Power Business Line (PBL) are solely for the purpose of establishing which BPA business line is responsible for the administration of this Agreement.

BPA and PGE agree:

1. TERM

This Agreement takes effect on the date signed by the Parties subject to Oregon. Public Utility Commission (OPUC) approval. Performance by the Parties, except for the preparatory actions for performance contained in sections 6, 8; and 15(f) of the body of this Agreement, Exhibit A (Rate Commitments), and Exhibit C (Net Requirements), shall commence on October 1, 2001, and shall continue through September 30, 2011 (Expiration Date).

2. DEFINITIONS

Capitalized terms in this Agreement shall have the meanings defined below, in the exhibits or in .context. All other capitalized terms and acronyms are defined in BPA's applicable Wholesale Power Rate Schedules, including the General Rate Schedule Provisions (GRSPs), or its successors.

- (a) "Amounts Taken" means an amount deemed equal to the amount of power scheduled by PGE under section 7 of this Agreement or an amount of power as measured at Points of Measurement, as appropriate.
- (b) "Contract Year" or "CY", means the period that begins each October 1 and which ends the following September 30. For instance Contract Year 2002 begins October. 1, 2001, and continues through September 30, 2002.
- (c) "Contracted Power" means Firm Power provided under this Agreement.
- (d) "Diurnal" means the division of hours of the day between Heavy Load Hours (MA and Light Load Hours (L33).
- (e) "Firm Power" means electric power that PBL will make continuously available to PGE under this Agreement
- (f) "Northwest Power Act" means the Pacific Northwest Electric Power Planning and Conservation Act of 1980, P.L. 96-01.
- (g) "Party" or "Parties" means PBL and/or PGE.

APPENDIX A

- (h) "Points of Measurement" means the interconnection points between BPA, PGE and other control areas, as applicable. Electric power amounts are established at these points based on metered amounts or scheduled amounts, as appropriate.
- (i) "Point of Receipt" means the points of interconnection on the transmission provider's transmission system where Contracted Power will be made available to PGE's transmission provider by PBL.
- (j) "Power Business Line" or "PBL" means that portion of the BPA organization or its successor-that is responsible for the management and sale of BPA's Federal power.
- (k) "Region" means the definition established for "Region" in the Northwest Power Act.
- (l) "Settlement Agreement" means Contract No. OOPB-12161. This Agreement is attached as Exhibit A to the Settlement Agreement.
- (m) "Surplus Firm Power" means surplus firm electric power that is made available and sold consistent with section 5(f) of the Northwest Power Act.
- (n) "Total Retail Load" means all electric power consumption including electric system losses, within a utility's distribution system as measured at Points of Measurement, adjusted as needed for unmetered loads or generation, nonfirm or interruptible loads agreed to by the Parties, transfer loads of other utilities served by PGE and PGE's transfer loads located in other control areas, and losses on PGE's transmission system. No distinction is made between load that is served with Contracted Power and load that is served with electric power from other sources.
- (o) "Transmission Business Line" or "TBL" means that portion of the BPA organization or its successor that is responsible for the management and sale of transmission service on the Federal Columbia River Transmission System (FCRTS).

APPLICABLE RATES

Purchases under this Agreement may be subject to more than one rate schedule. The Residential Load Firm Power (RL) rate schedule, including the GRSPs, or its successors are incorporated by reference into this Agreement. Purchases under such rate schedule are established as follows:

Residential Load Firm Power Rate

Section 4 of the body of this Agreement, Exhibit A (Rate Commitments), and Exhibit B (Billing) establish rates and Contracted Power amounts subject to the RL rate schedule.

4. RL FIRM POWER PRODUCT

(a) RL Product for Contract Years 2002 Through 2006 PBL shall sell and make available and PGE shall purchase under the applicable RL rate 258 megawatts each hour of Contract Years 2002 through 2006.

(b) RL Product for Contract Years 2007 Through 2011 PBL shall sell and make available and PGE shall purchase, during the period that begins October 1, 2006, and continues through September 30, 2011, the MW amounts determined by BPA pursuant to section 4(b)(2) of the Settlement Agreement. This Agreement shall be amended by the Parties to reflect such MW amounts.

(c) Changes to MW Amounts

The amounts established in sections 4(a) and 4(b) above may be updated pursuant to the Settlement Agreement and section 5 of Exhibit C, Net Requirements.

5. PURCHASE DEFICIENCY '

If PBL determines, that PGE purchased less Contracted Power in any month than it was contractually obligated to purchase under this Agreement (Monthly Purchase Deficiency), then such Monthly Purchase Deficiency shall be converted to cash payments to PGE from PBL *or* to PBL from PGE in accordance with the Settlement Agreement.

6. SCHEDULING

All Contracted Power transactions under this Agreement shall be scheduled and implemented consistent with Exhibit D, Scheduling. The procedures for scheduling described in Exhibit D, Scheduling, are the standard utility procedures followed by PBL for power *transactions between* PBL and other utilities or entities in the Region that require scheduling.

7. DELIVERY

(a) Transmission Service for Contracted Power

This Agreement does not provide transmission services for, or include the delivery of, Contracted Power to PGE. PGE shall be responsible for executing one or more wheeling agreements with a transmission supplier for the delivery of Contracted Power (Wheeling Agreement). The Parties agree to take such actions as may be necessary to facilitate the delivery of Contracted Power to PGE consistent with the terms, notice, and the time limits contained in the Wheeling Agreement.

(b) Liability for Delivery

PGE waives any claims against PBL arising under this Agreement for non-delivery of power to any points beyond the applicable Points of Receipt. PBL shall not be liable for any third party claims related to the delivery of

power after it leaves the Points of Receipt. In no event will either Party be liable under this Agreement to the other Party for damage that results from any sudden, unexpected, changed, or abnormal electrical condition occurring in or on any electric system, regardless of ownership. These limitations on ' liability apply regardless of whether or not this Agreement provides for transfer service.

(c) Points of Receipt. PBL shall make Contracted Power available to PGE under this Agreement at Points of Receipt solely for the purpose of scheduling transmission to points of delivery to PGE's distribution system. PGE shall schedule, if scheduling is necessary, such Contracted Power solely for use by its firm retail electric power consumer load. PBL, for purposes of scheduling transmission for delivery under this Agreement, shall specify Points of Receipt in a written notice to PGE prior to August 1, 2000. .

If required by the .Wheeling Agreement. when PBL designates such Points of Receipt, PBL will provide capacity amounts for transmission under the Wheeling Agreement associated with the initial Points of Receipt that can be' accepted as firm Points of Receipt under PGE's Wheeling Agreement (except in the unlikely event that all Points of Receipt on the Federal Columbia River Power System (FCRPS) would be considered non-firm). Such Points of Receipt and their capacity amounts may only be changed through mutual agreement. However at any time PBL may request the use of a non-firm Point of Receipt to provide Contracted Power to PGE, but PBL shall reimburse PGE'for any additional costs.

(d) Transmission Losses

PBL shall provide PGE the losses, between the Points of Receipt and the point of interconnection between the BPA Control Area and the Control Area in which PGE resides, for Contracted Power, at no additional charge. Losses will be provided at Points of Receipt as established under section 7(c), and *under the* terms and conditions as defined in the transmission provider's

8. MEASUREMENT

(a) Amounts Taken are deemed equal to the amount scheduled by PGE under ' section 7 of this Agreement or an amount of power as measured at Points of Measurement, as appropriate.

(b) PGE shall provide reasonable notice to PBL prior to changing control areas.

9. BILLING AND PAYMENT

(a) Billing

PBL shall bill PGE monthly, consistent with applicable BPA rates, including the GRSPs and the provisions of this Agreement for the Amounts Taken and

other services provided to PGE in the preceding month or months under this Agreement. PBL may send PGE an estimated bill followed by a final bill. PBL shall send all bills on the bill's issue date either electronically or by mail, at PGE's option. If electronic transmittal of the entire bill is not practical, PBL shall transmit a summary electronically, and send the entire bill by mail.

(b) **Payment**

Payment of all bills, whether estimated or final, must be received by the 20th day after the issue date of the bill (Due Date). If the 20th day is a Saturday, Sunday, or Federal holiday, the Due Date is the next business day. If payment has been made on an estimated bill before receipt of a final bill for the same month, PGE shall pay only the amount by which the final bill exceeds the payment made for the estimated bill. PBL shall provide PGE the amounts by which an estimated bill exceeds a final bill through either a check or as a credit on the subsequent month's bill. After the Due Date, a late payment charge shall be applied each day to any unpaid balance. The late payment charge is calculated by dividing the Prime Rate for Large Banks as reported in the Wall Street Journal, plus 4 percent; by 365. The applicable Prime Rate for Large Banks shall be the rate reported on the first day of the month in which payment is received. PGE shall pay by electronic funds transfer using BPA's established procedures. PBL may terminate this Agreement if PGE is more than three months behind in paying its bills under this Agreement and PGE cannot demonstrate an ability to make the payments owed.

(c) **Disputed Bills**

In case of a billing dispute, PGE shall note the disputed amount and pay its bill in full by the Due Date. Unpaid bills (including both disputed and undisputed amounts) are subject to late payment charges provided above. If PGE is entitled to a refund of any portion of the disputed amount, then BPA shall make such refund with simple interest computed from the date of receipt of the disputed payment to the date the refund is made. The daily interest rate used to determine the interest is calculated by dividing the Prime Rate for Large Banks as reported in the Wall Street Journal; by 365. The applicable Prime Rate for Large Banks shall be the rate reported on the first day of the month *in which* payment is received by BPA.

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10. NOTICES

Any notice required under this Agreement shall be in writing and shall be delivered: (a) in person; (b) by a nationally recognized delivery service; or (c) by United States Certified Mail. Notices are effective when received. Either Party may change its address for notices by giving notice of such change consistent with this section.

If to PGE:

Portland General Electric

121 SW Salmon St

Portland, OR 97204

Attn: Ms. Lyn Williams
Manager, Regional Affairs

Phone: 503-464-7358

FAX: 503-464-7651

E-Mail: lyn`williamsQpgn.com

If to PBL:

Bonneville Power Administration

P.O. Box 3621

Portland, OR 97208-3621 '

Attn: Scott K. Wilson - PT-5

Account Executive

Phone: 503-230-3877

FAX: 503-230-3681

E-Mail: rkwilson@bpa.gov

11: COST RECOVERY

(a) Nothing included in or omitted from this Agreement creates or extinguishes any right or obligation, if any, of BPA to assess against PGE and PGE to pay to BPA at any time a cost under recovery charge pursuant to an applicable transmission rate schedule or otherwise applicable law.

(b) BPA may adjust the rates for Contracted Power set forth in the applicable power rate schedule during the term of this Agreement pursuant to the Cost Recovery Adjustment Clause in the 2002 GRSPs, or successor GRSPs.

12. UNCONTROLLABLE FORCES

PBL shall not be in breach of its obligation to provide Contracted Power and PGE shall not be in breach of its obligation to purchase Contracted Power to the extent the failure to fulfill that obligation is due to an Uncontrollable Force. "Uncontrollable Force" means an event beyond the reasonable control of, and without the fault or negligence of, the Party claiming the Uncontrollable Force that impairs that Party's ability to perform its contractual obligations under this Agreement and which, by exercise of that Party's reasonable diligence and foresight, such Party could not be expected to avoid and was unable to avoid. Uncontrollable Forces include, but are not limited to:

(a) any unplanned curtailment or interruption for any reason of firm transmission used to deliver Contracted Power to PGE's facilities or distribution system, including but not limited to unplanned maintenance outages;

(b) any unplanned curtailment or interruption, failure or imminent failure of PGE's distribution facilities, including but not limited to unplanned maintenance outages;

- (c) any planned transmission or distribution outage that affects either PGE or PBL which was provided by a third-party transmission or distribution owner, or by a transmission provider, including TBL-and PGE, that is functionally separated from the generation provider in conformance with Federal Energy Regulatory Commission (FERC) Orders 888 and 889 or its successors;
- (d) strikes or work stoppage, including the threat of imminent strikes or work stoppage;
- (e) floods, earthquakes, or other natural disasters; and
- (f) orders or injunctions issued by any court having competent subject matter jurisdiction, or any order of an administrative officer which the Party claiming the Uncontrollable Force, after diligent efforts, was unable to have stayed, suspended, or set aside pending review by a court of competent subject matter jurisdiction. .

Neither the unavailability of funds or financing, nor conditions of national or local economies or markets shall be considered an Uncontrollable Force. The economic hardship of either Party shall not constitute an Uncontrollable Force. Nothing contained in this provision shall be construed to require either Party to settle any strike or labor dispute in which it may be involved.

The Party claiming the Uncontrollable Force shall notify the other Party as soon as practicable of that Party's inability to meet its obligations under this Agreement due to an Uncontrollable Force. The Party claiming the Uncontrollable Force also agrees to notify any control area involved in the scheduling of a transaction which may be curtailed due to an Uncontrollable Force.

Both Parties shall be excused from their respective obligations, other than from payment obligations incurred prior to the Uncontrollable Force, without liability to the other, for the duration of the Uncontrollable Force and the period reasonably required for the Party claiming the Uncontrollable Force, using due diligence to restore its operations to conditions existing prior to the occurrence of the Uncontrollable Force.

13. GOVERNING LAW AND DISPUTE RESOLUTION

- (a) This Agreement shall be interpreted consistent with and governed by Federal law. Final actions subject to section 9(e) of the Northwest Power Act are not subject to binding arbitration and shall remain within the exclusive jurisdiction of the United States Ninth Circuit Court of Appeals. Any dispute regarding any rights of the Parties under any BPA policy, including the implementation of such policy, shall not be subject to arbitration under this Agreement. PGE reserves the right to seek judicial resolution of any dispute arising under this Agreement that is not subject to arbitration under this section 13. For purposes of this section 13 BPA policy means any written document adopted by BPA as a final action in a decision record or

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record of decision that establishes a policy of general application, or makes a determination under an applicable statute. If either Party asserts that a dispute is excluded from arbitration under this section 13, either Party may apply to the Federal District Court of Oregon for an order determining - whether such dispute is subject to arbitration under this section 13.

(b) Any contract dispute or contract issue between the Parties arising out of this Agreement, except for disputes that are excluded through section 13(a) above, shall be subject to binding arbitration. The Parties shall make a good faith effort to resolve such disputes before initiating arbitration proceedings. During arbitration, the Parties shall continue performance under this Agreement pending resolution of the dispute, unless to do so would be , impossible or impracticable.

(c) Any arbitration shall take place in Portland, Oregon, unless the Parties agree otherwise. The CPR Institute for Dispute Resolution's arbitration procedures for commercial arbitration, Non Administered Arbitration Rules (CPR Rules), shall be used for each dispute; *provided, however*, that: (1) the Parties shall have the discovery rights provided in the Federal Rules of Civil Procedure unless the Parties agree otherwise; and (2) for claims of \$1 million or more, each arbitration shall be conducted by a panel of three neutral arbitrators. The Parties shall select the arbitrators from a list containing the names of 15 qualified individuals supplied by the CPR Institute for Dispute Resolution. If the Parties cannot agree upon three arbitrators on the list within 20 business days, they shall take turns striking names from the list of proposed arbitrators. The Party initiating the arbitration shall take the first strike. This process shall be repeated until three arbitrators remain on the list, and those individuals shall be designated as the arbitrators. For disputes involving less than \$1 million, a single neutral arbitrator shall be selected consistent with section 6 of the CPR Rules.

(d) Except for arbitration awards which declare the rights and duties of the Parties under the Agreement, the payment of monies shall be the exclusive remedy available in any arbitration proceeding. Under no circumstances shall specific performance be an available remedy against BPA. The arbitration award shall be final and binding on both Parties, except that -either Party may seek judicial review based upon any of the grounds referred to in the Federal Arbitration Act, 9 U.S.C. § 1-16 (1988). Judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof.

(e) Each Party shall be responsible for its own costs of arbitration, including legal fees. The arbitrators) may apportion all other costs of arbitration between the Parties in such manner as they deem reasonable taking into account the circumstances of the case, the conduct of the Parties during the proceeding, and the result of the arbitration.

14. STATUTORY PROVISIONS

(a) Annual Financial Report and Retail Rate Schedules ' PGE shall provide PBL with a current copy of its annual financial report and its retail rate schedules, as required by Section 5(a) of the Bonneville Project Act, P.L. 75-329.

(b) Insufficiency and Allocations

If BPA determines, consistent with section 5(b) of the Northwest Power Act and other applicable statutes, that it will not have sufficient resources on a planning basis to serve its loads after taking all actions required by applicable laws then BPA shall give PGE a written notice that BPA may restrict service. Such notice shall be consistent with BPA's insufficiency and allocations methodology, published in the Federal Register on March 20, . 1996 and shall state the effective date of the restriction, the amount of PGE load to be restricted, and the expected duration of the restriction. BPA shall not change that methodology without the written agreement of all affected customers. Such restriction shall take effect no sooner than five years after notice is given to PGE. If BPA imposes a restriction under this provision then the amount of Contracted Power that PGE is obligated to purchase pursuant to section 4 shall be reduced to the amounts available under such restricted service.

(c) Priority of Pacific Northwest Customers

The provisions of sections 9(c) and (d) of the Northwest Power Act and the provisions of P.L. 88-552 as amended by the Northwest Power Act are incorporated into this Agreement by reference. BPA agrees that PGE, together with other customers in the Region shall have priority to BPA power, consistent with such provisions.

(d) Prohibition on Resale

PGE shall not resell RL Contracted Power except to serve PGE's Total Retail Load or as otherwise permitted by Federal law.

(e) Use of Regional Resources

(1) Within 60 days of the start of each Contract Year, PGE shall notify PBL of any firm power from a generating resource, or a contract resource during its term, that has been used to serve firm consumer load in the Region that PGE plans to export for sale outside the Region in the next Contract Year. PBL may during such Contract Year request additional information on PGE resources if PBL has information that PGE may have made such an export and not notified PBL. PBL may request and PGE shall provide within 30 days of such request, information on the planned use of any or all of PGE's generating and contractual resources.

- (2) PGE shall be responsible for monitoring any firm power from generating resources and contract resources it sells in the Region to ensure such firm power is delivered to be used to serve firm consumer load in the Region.
- (3) If PGE fails to report to PBL in *accordance with* section (1), above, any of its planned exports for sale outside the Region of firm power from a generating resource or a contract resource that has been used to serve firm consumer load in the Region, and PBL makes a finding that an export which was not reported was made, then PBL may terminate this Agreement upon 30 days written notice to PGE. If PBL concludes that the failure to report is inadvertent and unlikely to reoccur PBL shall not terminate this Agreement and may instead elect to decrement the amount of Contracted Power by up to two times the amount of the export that was not reported. When applicable such decrements shall be established consistent with section 4(c) of Exhibit C.
- (4) For purposes of this section, an export for sale outside the Region means a contract for the sale or disposition of firm power from a generating resource, or a contract resource during its term, that has been used to serve firm consumer load in the Region in a manner that such output is not planned to be used solely to serve firm consumer load in the Region. Delivery of firm power outside the Region under a seasonal exchange agreement that is made consistent with BPA's section 9(c) policy will not be considered an export. Firm power from a generating resource or contract resource used to serve firm consumer load in the Region means the firm generating or load carrying capability of a generating resource or contract resource as established under Pacific Northwest Coordination Agreement resource planning criteria, or other resource planning criteria generally used for such purposes within the Region.
- (f) **BPA Appropriations Refinancing Act**
The Parties agree that the BPA Refinancing Section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (The BPA Refinancing Act), P.L. 104-134, 110 Stat. 1321, 1850, as stated in the United States Code on the date this Agreement is signed by the Parties, is incorporated by reference and is a material term of this Agreement. The Parties agree that this provision and the incorporated text shall be included in subsequent agreements between the Parties, as a material term through at least September 30, 2011.

15. STANDARD PROVISIONS

(a) Amendments

No oral or written amendment, rescission, waiver, modification or other change of this Agreement shall be of any force or effect unless set forth in a written instrument signed by authorized representatives of each Party.

(b) Assignment

This Agreement is binding on any successors and assigns of the Parties.

BPA may assign this Agreement to another Federal agency to which BPA's statutory duties have been transferred. Neither Party may otherwise transfer or assign this Agreement, in whole or in part, without the other Party's written consent. Such consent shall not be unreasonably withheld. BPA shall consider any request for assignment consistent with applicable BPA statutes. PGE may not transfer or assign this Agreement to any of its retail customers.

Information Exchange and Confidentiality

The Parties shall provide each other with any information that is reasonably required, and requested by either Party in writing, to operate under and administer this Agreement, including load-forecasts for planning purposes, information needed to resolve billing disputes, scheduling and metering information reasonably necessary to prepare power bills that is not otherwise available to the requesting Party. Such information shall be provided in a timely manner. Information may be exchanged by any means agreed to by the Parties. If such information is subject to a privilege of confidentiality, a confidentiality agreement or statutory restriction under state or Federal law on its disclosure by a Party to this Agreement, then that Party shall endeavor to obtain whatever consents, releases, or agreements are necessary from the person holding the privilege to provide such information while asserting the confidentiality over the information. Information provided to BPA which is subject to a privilege of confidentiality or nondisclosure shall be clearly marked as such and BPA shall not disclose such information Without obtaining the consent of the person or Party asserting the privilege, consistent with BPA's obligation under the Freedom of Information Act. BPA may use such information as necessary to provide service or timely bill for service under this Agreement. BPA shall only disclose information received under this provision to BPA employees who need the information for purposes of this Agreement.

(d) Entire Agreement

This Agreement, including all provisions, exhibits incorporated as part of this Agreement, and documents incorporated by reference, constitutes the entire agreement between the Parties. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement.

(e) Exhibits

The exhibits listed in the table of contents are incorporated into this Agreement by reference. The exhibits may only be revised upon mutual agreement between the Parties unless otherwise specified in the exhibits. The body of this Agreement shall prevail over the exhibits to this Agreement in the event of a conflict.

(f) No Third Party Beneficiaries

This Agreement is made and entered into for the sole protection and legal benefit of the Parties, and no other person shall lie a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this Agreement.

(g) Waivers

Any waiver at any time by either Party to this Agreement of its rights with respect to any default or any, other matter arising in connection with this Agreement shall not be considered a waiver with respect to any subsequent default or matter.

(h) BPA Policies

Any reference in this Agreement to BPA policies, including without limitation BPA's NLSL Policy and the 5(b)19(c) Policy, and any revisions thereto, does not constitute agreement by PGE to such policy, nor shall it be construed to be a waiver of the right of PGE to seek judicial review of any such policy.

(i) Severability

If any term of this Agreement is found to be invalid by a court of competent jurisdiction then such term shall remain in force to the maximum extent permitted by law. All other terms shall remain in force unless that term is determined not to be severable from all other provisions of this Agreement by such court.

(j) Rate Covenant

PGE agrees that it will establish, maintain and collect rates or charges for power and energy and other services, facilities and commodities sold, furnished or supplied by it through any of its electric utility properties which shall be adequate to provide revenues sufficient to enable PGE to make the payments required under this Agreement.

(k) Hold Harmless

Each Party assumes all liability for injury or damage to persons or property arising from the act or negligence of its own employees, agents, members of governing bodies, or contractors. Each Party shall indemnify and hold the other Party harmless from any liability arising from such act or negligence.

16. TERMINATION

PGE may terminate this Agreement through a written notice up to 30 days after FERC grants interim approval for BPA's wholesale power rates that are effective October 1, 2001. In addition, PGE shall have the right to terminate this Agreement if all of the following conditions have been satisfied:

- (a) Any rates adopted in WP-02 Final Rate Proposal, Administrator's Final Record, of Decision are remanded to BPA for reconsideration by FERC or the Ninth Circuit Court of Appeals.
- (b) As a result of the remand, the Administrator publishes a subsequent Final Record of Decision which, if confirmed, would result in PGE being subject to a higher average effective power rate for the period beginning the first day of the billing period immediately following the effective date of new rates contained in the subsequent Final Record of Decision and ending on September 30, 2006.
- (c) PGE has provided written notice to BPA of its intent to terminate this Agreement within 30 days of publication of the subsequent Final Record of ' Decision. .

Termination shall be effective at the start of the second billing period following the termination notice.

17. SIGNATURES

The signatories represent that they are authorized to enter into this Agreement on behalf of the Party for whom they sign.

PORTLAND GENERAL ELECTRIC

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

UNITED STATES DEPARTMENT OF ENERGY
BEFORE THE
BONNEVILLE POWER ADMINISTRATION

2002 Bonneville Power Administration)
Proposed Wholesale Power Rate) BPA Docket No. WP-02
Adjustment Proceeding)

PARTIAL STIPULATION and SETTLEMENT AGREEMENT

This Partial Stipulation and Settlement Agreement ("Partial Settlement") effective this 15* day of February 2001, is entered into by the undersigned Parties in the above-referenced rate case (hereinafter referred to individually as a "Party" or collectively as "the Parties").

A. BACKGROUND

1. The Bonneville Power Administration ("BPA") issued a Record of Decision in BPA Docket No. WP-02, dated May 15, 2000, and as amended by errata dated June 22, 2000, adopting power rates for the five-year rate period commencing October 1, 2001, through September 30, 2006 ("May Proposal"). BPA subsequently filed the proposed power rates with the Federal Energy Regulatory Commission ("FERC") requesting approval of the rates effective October 1, 2001.

2. On August 4, 2000, BPA filed a motion with FERC requesting a stay in FERC's review of BPA's WP-02 Wholesale Power Rate filing.

3. On December 12, 2000, BPA reopened the WP-02 proceeding to amend the May Proposal. BPA published its Amended 2002 Bonneville Power Administration Power Rate Case Proposal, Docket No. WP-02 ("Amended Proposal") to address BPA's changing financial obligations due to increased loads and market price volatility.

4. In January and February 2001 a series of noticed meetings were held where a group of customers outlined a proposal to modify the Amended Proposal. Over the weeks the Parties and BPA staff worked out the specifics of this proposal. The Parties eventually reached agreement on the structure for resolving the issues raised in Amended Proposal and have translated that into this Partial Settlement.

5. This Partial Settlement resolves issues raised in the May Proposal and Amended Proposal, as set forth herein.

B. AGREEMENT

1. Parties' Proposal

The Parties have jointly developed a proposal to address certain of the issues presented in the Amended Proposal. The elements of the proposal are described in Exhibit "N" hereto ("Parties' Proposal").

2. Required Actions

- a. BPA Staff agrees to file a Supplemental Proposal as required by the Revised Procedural Schedule in the Amended Proposal proceeding that incorporates all the elements of the Parties' Proposal set forth in Exhibit A. Parties acknowledge that BPA's Supplemental Proposal will not exactly mirror the language contained in the Parties' Proposal and that such divergence, so long as it does not undermine the intent of the Parties' Proposal, does not constitute a breach of this Partial Settlement.
- b. Except as provided in section B(2)(g), if BPA's Supplemental Proposal incorporates all the elements of the Parties' Proposal, all Parties other than BPA Staff agree to file testimony in both their direct and rebuttal cases that is consistent with, and in support of, the Supplemental Proposal. The Parties shall be free to file direct and rebuttal testimony in response to issues raised in testimony by any party to the WP-02 proceeding, so long as such testimony is not inconsistent with the Parties' Proposal.
- c. Except as provided in section B(2)(g), the Parties agree that if the Supplemental Proposal filed by BPA Staff differs from the Parties' Proposal in any material way, the Parties shall, in good faith and using their best efforts, attempt to develop a revised proposal that is as similar as practicable to the Parties' Proposal prior to the deadline for filing Parties' direct testimony in this proceeding. If the Parties reach agreement, the Parties other than BPA will submit testimony consistent with the agreed upon changes. All Parties agree to file testimony in their direct and rebuttal cases that is consistent with, and in support of, the Supplemental Proposal as revised.
- d. Except as provided in section B(2)(g), in the event that the Parties are unable to develop a revised proposal after a good faith attempt to develop such a proposal within the time permitted pursuant to section B(2)(c), then each Party is free to file direct and rebuttal testimony addressing any aspect of the Supplemental Proposal, and may file rebuttal testimony to any party's direct case. In such event, this Partial Settlement shall have no further force or effect, and shall terminate without liability to any party. The Parties agree that this Partial Settlement shall not be cited by any Party for any purpose in any administrative or judicial forum; provided however, that any Party may cite this Partial Settlement for the purpose of explaining why a Party did not

raise an issue earlier in the WP-02 rate proceeding in compliance with this Partial Settlement. In such event, the Parties shall have no obligation to file testimony in this proceeding in support of the Supplemental Proposal, and no issue raised by a Party at its earliest opportunity (whether in direct, rebuttal or a Party's brief) will be deemed to be waived.

e. In addition, subsequent to filing the Supplemental Proposal, BPA Staff will perform additional Slice/Non-Slice Cost Shift analyses, incorporating a variety of load loss assumptions, to determine the impacts of using revenue and load bases for allocating Augmentation True Up costs. The results of this analysis will be made available to all Parties and will be discussed at a noticed meeting to be held no later than seven days after BPA files its Supplemental Proposal, along with proposals to reduce the level of the overall rate increase. At such meeting the Parties shall attempt to reach agreement on the appropriate basis for making such allocation, and any other revisions to which, the Parties mutually agree.

f. In the event that the Parties reach agreement on the 'appropriate basis for the allocation of Augmentation-True Up costs, such resolution will be incorporated in the Parties' Proposal and the Parties (other than BPA Staff) will include such resolution in their direct testimony, and BPA Staff will support such resolution in its rebuttal testimony.

g. In the event that any Party objects to the resolution of the appropriate basis for the allocation of Augmentation True Up costs, regardless of what that resolution may be, such Party may by written notice to all other Parties to be served not less than seven days prior to the date for the Parties, other than BPA, to file their direct case, elect to include such issue on Exhibit B and reserve such issue for litigation, and by doing so shall be free to take whatever position such Party deems appropriate in its direct and rebuttal testimony with regard to such issue notwithstanding any provision of this Partial Settlement. The Parties further agree that despite any objections a Party may have regarding the resolution of such issue, that all other aspects of this Partial Settlement remain valid and enforceable.

h. So long as section B(2)(d) of this Partial Settlement is not invoked, the Parties agree that the provisions of the Parties' Proposal that address the Safety Net CRAC (SN CRAC) and the attendant section 7(i) procedures to implement such an SN CRAC are consistent with, and permitted by, the language in each Party's respective Subscription power sales agreement with BPA. Each Party waives all arguments to the contrary and agrees not to challenge (or support or join any challenge) to its Subscription power sales agreement on the basis that the implementation procedures or the SN CRAC violates, its Subscription power sales agreement in any administrative or judicial forum whatsoever.

i. So long as section B(2)(d) of this Partial Settlement is not invoked, each Party waives all arguments that the financial benefits payable for FY 2002-2006 under each Subscription Residential Exchange Settlement Agreement with BPA should not be calculated using a forward flat block price forecast of \$38/MWh as proposed by BPA in its Supplemental Proposal. BPA agrees that in any subsequent WP rate proceeding, or any other proceeding, it will not cite the WP-02 rate proceeding as evidence of the propriety of (or precedent for) using a forward flat block forecast for calculation of financial benefits under the Subscription Residential Exchange Settlement Agreements different from the forward flat block forecast used to determine BPA's augmentation costs.

j. So long as section B(2)(d) of this Partial Settlement is not invoked, the Parties agree that execution of this Partial Settlement waives the right of any Party hereto to seek review, including before the FERC or the 9th Circuit Court of Appeals, of any issue raised by a Party in the May Proposal and decided finally by BPA therein, except those issues reserved by a Party by listing such issues in Exhibit B. Except as provided in section B(2)(d), the Parties agree not to assert in any forum that they did not waive, a part of this Partial Settlement, the right to seek- FERC or judicial review of any issue raised by a Party in the May Proposal that is not reserved in Exhibit B. The Parties acknowledge that listing an issue in Exhibit B does not, in itself, revive such an issue for appeal if such issue was not preserved in the WP-02 proceeding by the Party listing the issue.

k. Prior to the date direct testimony must be filed, the Parties agree to file with the Hearing Officer in this proceeding a motion requesting an order stating that issues raised by Parties in their Initial Brief or Brief on Exceptions and decided in the May Proposal and set forth on Exhibit "B" need not be reargued in their brief in this proceeding to preserve such issue for appeal to the FERC or the Court of Appeals for the 9th Circuit.

1. This Partial Settlement is intended to be consistent with the Subscription Contracts, however, to the extent there are any inconsistencies between a Subscription contract and this Partial Settlement, the Parties agree to use- good faith efforts to negotiate revisions to such contracts to remove such inconsistencies with this Partial Settlement.

3. Regulatory Commission Actions

a. The Idaho Public Utilities Commission, Montana Public Service Commission, Public Utility Commission of Oregon, and Washington Utilities and Transportation Commission (collectively "the Commissions") are all signatories of this Stipulation and Partial Settlement.

b. The Commissions agree to provide collectively at least one witness to file testimony in support of the Parties' Proposal and Partial Settlement.

C. GENERAL PROVISIONS

1. The Parties enter into this Partial Settlement to avoid further expense, inconvenience, uncertainty and delay in this reopened WP-02 proceeding. By executing this Partial Settlement, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed in arriving at the terms of this Partial Settlement or the Parties' Proposal, nor shall any Party be deemed to have agreed that any provision of this Partial Settlement or Parties' Proposal is appropriate for resolving issues in any other proceeding regardless of whether the Parties' Proposal or Partial Settlement is adopted by the Administrator, except as expressly provided in this Partial Settlement.
2. If the Administrator issues a Final Record of Decision in the WP-02 docket that is consistent with the Parties' Proposal, the Parties agree to support this Partial Settlement and the Parties' Proposal in the WP-02 docket proceeding and before the FERC.
3. Each Party represents that it has the power to execute this Partial Settlement and any other documentation relating hereto; and that it has taken all necessary action to obtain any authorization needed to execute and perform under this Partial Settlement.
4. Notwithstanding any other provision of the Partial Settlement: (1) any Party may respond, in a manner not inconsistent with this Partial Settlement, to any issue raised at the FERC or in judicial review of WP-02 or otherwise; and (2) in the event that the Ninth Circuit Court of Appeals invalidates any rate adopted in WP- 02 and remands such rate to BPA, no Party shall be limited -by this Partial Settlement from raising any issues within the scope of the remand, or be deemed to have waived any issue, by virtue of this Partial Settlement.
5. Nothing in this Partial Settlement is intended to preclude any of the Commissions from exercising any right they may have to intervene in-proceedings reviewing the WP-02 rate case (whether at FERC or the Ninth Circuit Court of Appeals) and BPA will not oppose such interventions.

This Partial Settlement may be executed in counterparts and each signed counterpart shall constitute an original document.

This Stipulation and Partial Settlement Agreement is effective on the ____ day of 2001, regardless of the date signed by each executing Party below.

This Stipulation and Partial Settlement Agreement is affective on the - day of 2001, regardless of the date signed by each executing Party below,

Bonneville Power Administration

Avista Corporation

Pudget Sound Energy, Inc.

PacifiCorp

Montana Power Company

Portland General Electric: Company

Idaho Power Company

Washington Utilities and Transportation Commission

IN THE MATTER OF:

UNITED STATES DEPARTMENT OF ENERGY
BEFORE THE
BONNEVILLE POWER ADMINISTRATION

2002 Bonneville Power Administration)
Proposed Wholesale Power Rate) BPA Docket No. WP-02
Adjustment Proceeding)

PARTIAL STIPULATION and SETTLEMENT AGREEMENT

The Washington Utilities and Transportation Commission approve the Partial Stipulation and Settlement Agreement.

DONE AND DATED at Olympia, Washington this 15th day of February, 2001.

Washington Utilities and Transportation Commission

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THE IDAHO PUBLIC UTILITIES COMMISSION as co-signatories to the Partial Stipulation and Settlement Agreement in 2002 Bonneville Power Administration Proposed Wholesale Power Rate Adjustment Proceedings – BPA Docket No. WP-02.

Dated this 15th day of February, 2001.

DATED at Salem, Oregon and effective this 13 day of February, 2000.

OREGON PUBLIC UTILITY COMMISSION

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Montana Public Service Commission

17111 Prospect Avenue
PO Box 202501
Helena, MT 58620-2601
Telephone: (406) 444-6199
Fax: (406) 444-7818
<http://www.psc.state.mt.us>

RE: Approval of Bonneville Power Administration Partial Stipulation & Settlement

BONE AND DATED at Helena, Montana, and this 14th day of February, 2001.

MONTANA PUBLIC SERVICE COMMISSION

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Signature Pages

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Public Power Council
1500 NE trying, Suite 200 Portland. Oregon 97232 (503j 232•2427 FAX (503) 239.599

Mr. Peter Burger
Office of General Counsel LP-7
Bonneville Power Administration
905 NE 11th Avenue 7th Floor
Portland, Oregon 97232

February 15, 2001

RE: Partial Stipulation and Settlement Agreement in the WP-02 Rate Proceeding

Dear Mr. Burger:

The Public Power Council (PPC) has signed the Partial Stipulation and Settlement Agreement (Agreement) entered into among several parties to the WP-02 rate case on February 15, 2001.

Attached is a letter from Dan Seligman representing the Canby Utility Board. Canby is a member utility of PPC. Canby does not agree to the terms of the Agreement and *therefore* will not sign the document. The purpose of my letter is to declare that PPC's execution of the Agreement no way limits Canby's right to pursue any issue it deems appropriate in the WP-02 raft proceeding or any other forum. In other words, Canby is not bound by PPC's position in this matter.

Thank you for your attention to this matter. If you have any questions, please call me at (S03) 232-2427.

Sincerely,

Attachment
cc: WP-02 Service List

COLUMBIA RESEARCH CORPORATION

February 15, 2001

Ms. Jetty Leone, Manager
Public Power Council
15001\ .E. Irving, Suite 200
Portland, Oregon 97232.

SUBJECT: Partial Stipulation and Settlement Agreement BPA Rate Case WP-02

Dear Jerry:

My client, the Canby Utility Board, does not join in die Partial Stipulation and Settlement Agreement for the Bonneville Power Administration's WP-02 rate case.

If the PPC signs the Stipulation, please note Canby's position so that it is clear to BPA that my client dots not waive the right to raise certain issues law in this proceeding.

Thank you 'for your assistance. Please call if you have any questions about this request.

Sincerely,

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Signature Pages

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Sent by: ~ WRBN UUHBCMF PRATT

APPENDIX A

Montana Public Strvict Camrnissian

By:

Pacific NarchwraE GGnerrtisig Company

Public (.cncrating PM

Markvs Access Coalition

PARTIAL. STIPULATION *
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8y:

Northwest Requirements Utilities

By:

PARTIES' PROPOSAL

The proposal has the following elements

A. LB CRAG

1. LB CRAC will be calculated using an augmentation market price based on the forecast market price for the rate period and will be applied to the following rate schedules: PF rates, excluding Slice, Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC), Cost-Based Index Rate, actual power deliveries under the Residential Load (RL-02), and New Resource Firm Power (NR-02). The CRAC does not apply to Pre-Subscription contracts or Slice product or the financial portion of the Residential Exchange Settlement.

2. The forecast of market prices for the rate-period to be used in setting the final rates will be performed as late in the rate process as practicable while permitting its inclusion in the draft Record of Decision. BPA will conduct one or more public workshops with the parties on this forecast. BPA will make available to the parties prior to the workshop the inputs used and the results of the forecast, and will make available at the workshops) for questioning the BPA staff that participated in the preparation of the forecast.

3. BPA shall give due consideration to the comments and suggestions made by the parties regarding the forecast during the course of the workshops) in preparation of the forecast that is finally included in the draft Record of Decision.

B. Augmentation True Up

BPA and the other Parties have discussed two bases for allocating the costs of Augmentation True Ups, those being revenues and loads. The lack of time has made it impracticable for the Parties to analyze the impacts of both approaches or to explore potential alternative approaches. The Parties intend to do such analysis after the filing of Supplemental Proposal, and will attempt to reach consensus on either of these methods or some alternative approach to use in this proceeding.

Establishing the October 2001-March 2002 Load-Based Cost Recovery Adjustment ' Clause (LB CRAM

1. By June 1, 2001, BPA will estimate Forecasted Total Load it expects to serve during each month of Fiscal Year (FY) 2002 under subscription contracts and other existing contracts. BPA will estimate amount of sales subject to the LB CRAC, identifying separately Slice sales. Forecasted Total Load shall exclude Slice load and shall reflect any known reductions (for contract terminations, amendments, load losses, or buydowns) and reasonably predictable load reductions for BPA's full and partial service contracts.

EXHIBIT A

2. BPA shall also forecast the total Expected Revenue for the first half of that year at its Base Rates (excluding any CRACs) from sales subject to the LB CRAC, including separately identifying Expected Revenue from Slice sales (assuming 1,732 aMW in the Net Cost of the Inventory Solution). BPA shall calculate the Average Base Rate by dividing this Expected Revenue by the forecasted number of megawatt-hours of sales subject to the LB CRAC. BPA shall calculate the amount of Net Augmentation Costs In Base Rates already included in Expected Revenue by dividing forecasted number of megawatt-hours of sales subject to the LB CRAC by the number of megawatt-hours of sales assumed for each six months in the May Proposal and multiplying the resulting ratio by the six-month amount of net augmentation costs already included in the base rates from the May Proposal.
3. BPA will assume federal system output (reduced for system obligations and transmission losses) of 7,07Q aMW minus Slice sales, with a monthly shape proportionate to the percentage each month's Forecasted Total Load is of the annual Forecasted Total Load. BPA will calculate its Expected Augmentation Quantity by subtracting this assumed federal system capability from the Forecasted Total Load for each such month.
4. BPA will calculate its Assumed Average Net Augmentation Price by computing for each month of the period the weighted average price per megawatt-hour it has paid for power to be delivered in that month. If BPA has not purchased for any month in the period as much power as its Expected Augmentation Quantity, it shall calculate the residual amount needed. For these residual amounts, BPA shall obtain Forward Price Strips during the last five business days of May and average those strips in with the average price BPA paid for its advance purchases for that month to establish the Assumed Average Augmentation Price for the first half of the contract year. BPA will subtract from this Assumed Average Augmentation Price the Average Base Rate to establish the Assumed Average Net Augmentation Price for the period.
5. BPA shall multiply the Assumed Average Net Augmentation Price times the Expected Augmentation Quantity, add the payments made by BPA to any customer to buy-down loads (including Conservation Augmentation), add the cost of options to hedge the cost of augmentation, and subtract the Net Augmentation Costs In Base Rates to calculate the Expected Net Additional Augmentation Cost for the period. The Expected Net Additional Augmentation Cost shall be multiplied by the ratio of the Slice portion of Expected Revenues to forecasted Expected Revenues from all sales subject to the LB CRAC to establish the Slice Share of the Expected Net Additional Augmentation Cost which shall be added to the Slicers' share of the Slice Revenue Requirement. The Non-Slice Share of Expected Net Additional Augmentation Cost shall be divided by the Expected Revenue from non-Slice sales subject to the LB CRAC to establish the LB CRAC to be paid during the period by all non-Slice sales subject to the LB CRAC. This results in a single percentage to be

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applied to all non-Slice adjustable rates and charges (demand, energy, and load variance).

6. As early as possible in June (and every six months thereafter for subsequent periods), BPA shall hold a publicly noticed workshop to review its preliminary calculations with customers subject to the LB CRAC and any other interested parties. BPA will make available to the parties prior to the workshop the inputs used and the results of the forecast, and will make available at the workshops for questioning the BPA staff that participated in the preparation of the forecast. After considering any comments received and revising its calculations as it deems appropriate, BPA shall notify customers before June 30, 2001 of the LB CRAC and the Slice Share of the Expected Net Additional Augmentation Costs that it will apply for the first six-month period (and by the end of each December and June of the rate period for subsequent periods).

Establishing the LB CRAC for Subsequent Periods

7. By December 1, 2001 (and every six months thereafter); BPA shall perform the same calculations as above to establish the LB CRAC and the Slice Share of the Expected Net Additional Augmentation Costs for the next six-month period, (using Forward Price Strips averaged during the last five business days of each November and May as appropriate for the upcoming six month augmentation period, but with the Slice and Non-Slice Shares of Expected Net Additional Augmentation Cost for the upcoming period increased or decreased as follows.

8. BPA shall calculate a Revised Augmentation Quantity for the most recently completed six months (only October and November 2001 in the case of the December 2001 calculation) by replacing the Forecasted Total Load used in the calculation pursuant to Section B.3 above for those months with Actual Total Load under subscription contracts and other existing contracts.

9. BPA shall calculate the Revised Slice Share of Net Additional Augmentation Costs by: (1) replacing the Expected Augmentation Quantity with Revised Augmentation Quantity; (2) updating the Assumed Average Net Augmentation Price to include the weighted average price of any additional power BPA purchased at least 120 days before each of those months (but after calculating the Assumed Average Net Augmentation Price the preceding June or December) (3) if BPA had still not purchased all of the Revised Augmentation Quantity, continuing to value the residual amounts with the Forward Price Strips used the preceding June or December to calculate the Assumed Average Net Augmentation Price for that six-month period; (4) adding the Slice Share of any additional payments not assumed in the Slice Share of Expected Net Cost of Augmentation Cost made by BPA to any customer to buy down loads (including Conservation Augmentation), or for additional options to hedge the cost of augmentation purchases. If the Revised Slice Share of Net Additional Augmentation Costs is more than the Slice Share of Expected Net. Additional Augmentation Costs that was added to the Slicers' Share of the Slice

EXHIBIT A

Revenue Requirement for that period, that difference shall be added to the Slice Share of Expected Net Additional Augmentation Costs for the upcoming period, and if it is less it shall be subtracted.

10. To calculate the Revised Non-Slice Share of Net Additional Augmentation Costs, BPA shall calculate a Revised Average Net Augmentation Price for those months by: (1) updating the Assumed Average Net Augmentation Price to include the weighted average price of any additional power BPA purchased before each of those months (but after calculating the Assumed Average Net Augmentation Price the preceding June or December); and (2) if BPA had still not purchased all of the Revised Augmentation Quantity, valuing the residual amounts by replacing the Forward Price Strips used to calculate the Assumed Average Net Augmentation Price for that six-month period, with Forward Price Strips for power to be delivered each individual month obtained (averaged) during the last five business days prior to that individual month.

11. BPA shall calculate the Non-Slice Share of the Revised Net Additional Augmentation Cost for those months by multiplying the Revised Augmentation Quantity times the ratio of Expected Revenue from non-Slice sales subject to the LB CR.AC divided by the Expected Revenue from all sales subject to the LB CRAC times the Revised Average Net Augmentation Price, and adding the non-Slice share of any additional payments not assumed in the Non-Slice Share of Expected Net Cost of Augmentation Cost made Augmentation Cost is greater than the Non-Slice Share of the Expected Net Additional Augmentation Cost, the difference shall be added to the Non-Slice Share of the Expected Net Additional Augmentation Cost for the upcoming period; and if it is less, the difference shall be subtracted.

12. The determination of the Augmentation True Up will be subject to audit by BPA's independent outside auditing firm, and the results of such audits will be available to customers. One year after the end of each of the six month periods described in this section B, the Parties, other than BPA, will be allowed to review or audit the documentation of any augmentation power purchase made by BPA that is used either in the calculation of the Assumed Augmentation Net Cost, Revised Slice Share of Net Additional Augmentation Costs or the Non-Slice Share of the Revised Net Additional Augmentation Costs. Prior to that time, the Parties, other than BPA will not have access to the terms of the purchases in order to verify the above referenced calculations. BPA will retain verifiable records necessary to facilitate such audits.

C. FB CRAC.

1. FB CRAC will use the trigger amounts and the maximum collection amounts of the CRAC set out in the BPA May Proposal for FYs 2003, 2004, 2005 and 2006. For FY

EXHIBIT A

2002, the threshold from the BPA May Proposal will be used, the amount to be collected shall not be subject to a dollar cap but may not exceed the amount needed for reserves to equal the FB CRAC threshold.

2. FB CRAC may be triggered at the start of any FY during the rate period based on the Third Quarter Review forecast of end-of-year accumulated net revenues in the prior year. Collection will begin in October and continue for 12 months. There will be a true-up of the amount collected in March on the FY using BPA's audited actual yearend financial results for the preceding FY.

3. FB CRAC will be applied to the following rate schedules: PF rates, excluding Slice, Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC), Cost-Based Index Rate, actual power deliveries under the Residential Load (RL-02), and New Resource Firm Power (NR-02).. The FB CRAC will not apply to the Pre-Subscription contracts or Slice product or the financial portion of the Residential Exchange Settlement.

D. SN CRAC.

1. A Safety Net CRAG will be available if the Administrator determines that after implementation of the FB CRAC and any Augmentation True Ups, either of the following conditions exist:

- BPA forecasts a 50 percent or greater probability that it will .. nonetheless miss its next payment to Treasury or other creditor, or
- BPA has missed a payment to the Treasury or some other creditor,

2. The SN CRAC will be an upward adjustment to posted power rates to which it applies. The SN CRAC will modify the FB CRAC parameters. BPA will propose changes to the FB CRAC parameters that will, to the extent market and other risk factors allow, achieve a high probability that the remainder of Treasury payments during the FY 2002-2006 rate period will be made in full. BPA's proposal could include changes to the Revenue Amount, the duration (the length of time the SN CRAC would be in place, which could be **more** than 1 year), and the timing of collection. BPA will calculate the Revenue Amount that the changes in the FB CRAC parameters are intended to generate during the period that such changes are effective. Such Revenue Amount shall be collected by means that will result in a uniform percentage increase to all rates subject to the FB CRAC and a commensurate decrease in the financial portion of the Residential Exchange Settlement

3. The SN CRAC applies to power purchases under these fine power rate schedules: PF Preference (Exchange Program, and Exchange Subscription), Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, Residential Load (RL-02), New Resource Firm Power (NR-02) and both the actual power deliveries and the financial portion of the

EXHIBIT A

Residential Exchange Settlement. The CRAC does not apply to Pre-Subscription contracts or Slice product.

SN CRAC Notification Process

4. At the time the Administrator determines that the SN CRAC has triggered, BPA will send written notification of the determination to customers that purchase power under rates subject to the SN CRAC and to other interested parties. Such notification shall include the documentation used by BPA to determine that the SN CRAC has triggered, the amount of any forecast shortfall, and the time and location of a workshop on the SN CRAC.

5. The purpose of the SN CRAC workshop will be to discuss with customers and interested parties the cause of shortfall, and any proposed changes to the FB CRAC that will achieve a high probability that the remainder of Treasury payments during the FY 2002-2006 rate period will be made timely. In determining which proposal to include in its initial proposal in the SN CRAC Section 7(I) proceeding, BPA will give priority to prudent cost management and other options that enhance Treasury Payment Probability (TPP) while minimizing changes to the FB CRAC.

SN CRAC Hearing Process

6. As soon as practicable after a determination that the SN CRAC has triggered, BPA will publish a Federal Register notice initiating an expedited hearing process to be conducted in accordance with Section 7(I) of the Northwest Power Act. The hearing shall be completed within 40 days, unless a different duration is agreed to by the parties. Upon completion of such hearing, BPA will submit the following documentation in support of a request for review and confirmation: Separate Accounting Analysis, current and revised revenue tests, the proposed revisions to the FB CRAC parameters and the administrative record compiled by BPA in the SN CRAC proceeding.

E. Exchange Settlement

I. Financial benefits for the IOUs will be calculated for Settlement purposes using a price of \$38/MWh.

2. Power deliveries to the IOUs under the Settlement will be subject to all three CRACs (LB, FB and SN).

3. Financial benefits to the IOUs under the Settlement will only be subject to SN CRAC.

4. Both power deliveries and the 900 aMW of federal power delivered as financial benefits will be used to calculate the IOU participation in DDC disbursements.

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F. Slice Rate '

1. The Slice rate will be subject to the augmentation price true up in the manner described in Section B.
2. The Slice rate will not be subject to the LB, FB or SN CRACs.
3. Slice loads will not participate in any distribution under the DDC.

G. Dividend Distribution Clause

1. The DDC is a clause establishing criteria that will determine when dividends should be distributed and the amount that should be distributed. The DDC enables BPA to distribute dividends to customers.
2. The DDC applies to power customers under these firm power rate schedules: PF rates, excluding-Slice, , Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, Residential Load (RL-02) including the financial portion of any Residential Exchange Settlement, New Resource Firm Power (NR-02), and Subscription purchases under Firm Power Products and Services (FPS) that are subject to the LB, FB and SN CRACs. The DDC does not apply to Pre-Subscription contracts or Slice product.

Formula for the Calculation of the Dividend Distribution Amount

3. The DDC process will be implemented if audited actual accumulated net revenues for the end of any of the fiscal years 2002-2005 are above the DDC Threshold value.
4. Actual Accumulated Net Revenues (AANR) are generation function net revenues, as accumulated since 1999, at the end of each of the Fiscal Years 2002 through 2005. Net revenues are accrued revenues less accrued expenses, in accordance with Generally Accepted Accounting Practices, with the following exceptions. For purposes of determining if the DDC Threshold has been reached, actual and forecasted expenses will include BPA expenses associated with Energy Northwest debt service as forecasted in the May 2000 WP-02 Final Studies. The impact of adopting Financial Accounting Standard 133, Accounting for Derivative Instruments and Hedging Activities, will not be considered in determining if the CRAC threshold has been reached. Only generation function revenues and expenses, which is to say accrued revenues and accrued expenses that are associated with the production, acquisition, marketing, and conservation of electric power, are included in determinations under the DDC; accrued revenues and expenses of the transmission function are excluded. The determination of AANR will be audited by BPA's

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independent outside auditing firm in 2002 and will be confirmed by the auditing firm in each subsequent year.

5. DDC Threshold is the minimum level of AANR that must be realized before a dividend distribution is considered. The DDC Threshold is \$250 million for the end of Fiscal Years 2002, 2003, 2004, and 2005. [change to whatever level is equivalent to \$1.7, \$1.5, \$1.2, and \$1.2 billion dollars in the appropriate FYs in BPA financial reserves.]

6. DDC Amount is the aggregate amount that is available to be distributed to customers. The DDC Amount may be equal to zero and will be determined by the following formula:

AANR - DDC Threshold

7. The threshold for any fiscal year will be adjusted upward. by the following:

a. In the event there has been a power system emergency during the fiscal year, and there are agreed-upon fish and wildlife mitigation efforts related to the emergency operations for which BPA has not yet spent, said amounts will be added to the threshold amount for that year.

b. BPA fish and wildlife direct program costs previously budgeted for expenditure in that fiscal year for implementation of the Biological Opinion that were not spent in that fiscal year due to suspension or deferral, and for which a need continues, will be added to the threshold amount for that year.

8. The Power Customer DDC Amount will be converted to a percentage (the Power Customer DDC Percentage), which will be applied to all power customer rates subject to the DDC to arrive at the amount to be rebated on power bills for each of the included power customers.

9. The Power Customer DDC Percentage will be determined by the following formula:

Power Customer DDC Percentage equals:
Power Customer DDC Amount
Divided by the
DDC Revenue Basis

Where DDC Revenue Basis is the total generation revenue for the loads subject to the DDC for the fiscal year in which the DDC implementation begins, based on the then most current revenue forecast.

10. Each covered power customer will receive a rebate equal to the Power Customer DDC Percentage applied to their total charge for energy, demand and load variance. For customers receiving financial benefits under the Residential Exchange

EXHIBIT A

Settlement, their total charge will include the product of each such customer's AMW share of 900 aMW (based on its portion of the total financial benefits) and the sum of the Residential Load (RL-02) rate and the amount of any CRAC applied to power deliveries under such rate.

Determination and Timing of a Dividend Distribution

11. In January of each year of the rate period (FY 2002-2006), the Administrator will determine whether the AANR exceeds the DDC Threshold. The Administrator will distribute dividends in every FY in which the AANR exceeds the DDC Threshold.

12. Dividends distributed to customers are included in bills for deliveries beginning May 1, and, for any Fiscal Years 2003-2005, remain in effect for 12 months i.e., through April 30 of the following year. In the last year of the rate period (FY 2006), the rebate would expire on September 30, 2006.

Determining How the Distribution is Allocated.

13. The first \$15 million of the DDC Amount, if the DDC Amount exceeds \$15 million, or the entire DDC Amount if it equals \$15 million or less, will be allocated to qualifying customers' participating in the C&R Discount. The C&R Discount is a rate mechanism designed to encourage incremental conservation and renewable resource development by BPA's power purchasers under PF, IP, RL, and NR rate schedules. See C&R Discount GRSPs, Section ILA. The DDC amounts will be allocated based on the total revenues paid to BPA since the beginning of the rate period or the last DDC distribution, whichever is later. Such revenues shall include the product of 900 aMW and the applicable RL Rate for the financial portion of the Residential Exchange Settlement

Dividend Distribution Notification Process

14. Financial Performance Status Reports

By no later than August 31 of each year, BPA shall post on its electronic information access site (World Wide Web) a forecast of AANR attributable to the generation function for the fiscal year ending September 30. By December 1 of each year, BPA shall post on its website the unaudited AANR.

15. Notice of DDC Trigger

On or about January 15 in each of the Fiscal Years 2003-2006, BPA will notify all power customers and rate case-parties if the AANR exceeds the DDC Threshold. (If the December unaudited AANR report for the generation function indicated that the DDC Threshold might be exceeded, and the audited actuals show that it was not exceeded, customers will also be notified). Notification will include the AANR for the prior fiscal year, the DDC Amount, the calculation of the DDC Amount, and the

EXHIBIT A

estimated resulting Power Customer DDC Percentage for each applicable rate schedule. The notice shall also describe the data and assumptions relied upon by BPA. Such data, assumptions, and documentation, if non-proprietary and/or non-privileged, shall be made available for review at BPA upon request.

16. On or about April 15 of any of the Fiscal Years 2003-2006 in which the AANR exceeds the DDC Threshold, BPA shall notify customers of the final calculation of the DDC Amount and, if applicable, the resulting level of the Power Customer DDC Percentage to be applied to each applicable firm power rate schedule.

17. The DDC will at the end of each FY automatically return to customers BPA reserves as follows: FY 2003, reserves in excess of \$1.7 billion; FY 2004, reserves in excess of \$1.5 billion; FYs 2005 and FY 2006, reserves in excess of \$1.2 billion. This sum will be converted to an accumulated net revenue equivalent. In determining the amount of reserves available for return to the customers, costs previously budgeted for expenditure in the prior FY for implementation of the Biological Opinion that were not spent in the FY for which they were budgeted, due to suspension or deferral, will be deducted from reserves to determine if the threshold for returning reserves to customers has been met.

18. The determination of the AANR will be audited in 2002 and confirmed in each year thereafter by BPA's independent outside auditing firm, and the results of such audit or confirmation will be made available to customers eligible for DDC distributions.

H. DSI RATE

The DSI rate will be subject to the LB, FR and SN CRACs, and to the augmentation true up in the same manner as the PF, RL and NR rates.

Reducing BPA's Wholesale Power Rate Increases
Managing through a short-term crisis to ensure long-term benefits
By Stephen Wright
Acting Administrator, Bonneville Power Administration
April 9, 2001

Last January, I sent out a letter to Northwest citizens that caused some shock waves. That was my intent. I believe it is important to warn of bad news while there is still time to take actions that can lessen the impact. At the time, I said that, if certain conditions persisted, BPA's customers--Pacific Northwest utilities and direct-service industries--could face a significant rate increase for the wholesale power they buy from the Bonneville Power Administration. The figures I cited then were for an average rate increase of 60 percent over the five-year rate period that starts this coming October. I cautioned that the increase could be as high as 90 percent in the first year.

Unfortunately, the situation has worsened. It now appears possible that, without the kinds of action that I am about to call for today, the first-year increase could be 250 percent or more. If that were to occur, it likely would translate into doubling the retail rates in many utility service areas.

An increase of this magnitude would have widespread economic consequences. Already, we are seeing some businesses curtail operations or even close as a result of high energy prices. With such an increase, we'd surely see more businesses close and more job losses, with people with lower incomes suffering disproportionately. In addition, a weak economy frequently translates into less public support for environmental protection.

I don't believe these consequences are acceptable. More importantly, I don't believe they are inevitable. That's why I am here today to call for some very specific actions and to call on all stakeholders in the Pacific Northwest to own part of the process that will help us avert an economic blow to our region. I believe we can get the rate increase down to a manageable level, but we need to make some tough decisions, and we have little more than 60 days to do this. BPA's rates, which will go into effect in October, should be submitted to the Federal Energy Regulatory Commission in June.

First, let me review what has led us to this point. Some of it you already know. We are experiencing the second worst water year in 72 years of record-keeping. According to a report released by the Northwest Power Planning Council, if the drought persists, the hydropower generating capability in the Northwest from March through August will be 4,700 megawatts below normal over those months the equivalent power consumed by four Seattles. The implications are ominous since the Northwest relies on hydropower for nearly three-quarters of its electricity.

But the summer drought is only the immediate crisis. We are becoming increasingly concerned about power supply for the coming winter. Canadian reservoirs,

which store half the system's water, are extremely low this year, which means we could start next year with less than a full tank. If that were to happen, and especially if we have a second dry year in a row, electricity reliability wouldn't be the only thing at risk. Low reservoir levels also raise concerns for salmon and steelhead next year.

Low water combined with a tight wholesale power market and skyrocketing power prices is a devastating combination. The fiasco in California has helped drive wholesale electricity prices to unprecedented levels. When we completed our new Subscription power contracts last fall, BPA's contractual obligations added up to approximately 11,000 megawatts--about 3,000 megawatts more than our current generating resources can provide on a firm basis. The only way we can meet our obligations is to buy the vast majority of the additional power in a wholesale power market where supplies are tight and prices are sky high. This is what is driving rates up.

This year, due to the high power prices, BPA has not been able to purchase sufficient power to ensure system reliability. Consequently, we have periodically 'declared power system emergencies. These emergency declarations have allowed us to increase power generation from the river and reduce operations that offer benefits to migrating juvenile fish. The increased generation has reduced the amount of water that is normally stored at this time of year so that it can be used to augment spring and summer river flows. While there may be some impact on fish, by far the major impact on fish is the drought itself, not the emergency power operations. We are continuing to implement all other aspects of the federal measures for fish recovery.

Currently, we are operating the river on an emergency basis, and we can continue some fish spill or flow augmentation only as long as water volume does not dip much below current estimates. The record low runoff is a water volume of 53 million-acre feet. As of last week, the volume forecasts had dropped to 56 million-acre feet, which is 53 percent of the normal runoff. This severely limits our flexibility to do much more than meet power needs.

Beyond the current drought, high power prices are expected to continue until significant new generation and additional conservation measures are put in place. This will take a couple of years at best. And, we can't expect much help from Canada, which also is suffering drought, nor any help from California, which is in the throes of an electricity restructuring crisis.

We must focus instead on what we can control if we expect to minimize the size of the coming wholesale rate increase. The most immediate and direct way to decrease the size of next year's rate increase is quite simply to decrease the amount of power BPA has to buy in the market.

We already have taken a number of extraordinary steps in this direction. We have promoted conservation aggressively and sought voluntary curtailments in power use. We have **begun to purchase curtailments from our direct service industrial customers and from irrigators who are** served by our utility customers. We have offered innovative'

incentives for development of conservation and renewables, and we have engaged in beneficial 2-for-1 power exchanges with California. We also are continuing to collaborate with the Corps of Engineers and Bureau of Reclamation to increase the productive capability of the federal power system.

But even these extraordinary measures haven't been enough in the face of the triple whammy of historic low water conditions, an extremely tight power market and enormous volatility in power prices. We now need to up the ante if we are to get the rate increase for the next year down to a manageable level.

We literally are at a crossroads, and the region has essentially two options. Path A is to wait and see where market prices settle in June. Under this scenario, we'd rely on cost recovery mechanisms to kick up rates if prices remain high. We would take no special actions and we wouldn't push or negotiate with our customer groups to secure load reductions. The risk is that, if market prices stay the same, we could expect to see a first year rate increase in the 200 to 300 percent range, and possibly greater.

Then there's Path B, which calls for aggressive and immediate steps to reduce the size of the rate increase by reducing the amount of electricity demand put on BPA. Under this scenario, BPA would not have to buy as large an amount of power in a very expensive wholesale power market. It's a strategy that calls on our customers and other stakeholders to share a sacrifice by reducing their demands for power. It requires significant, and I mean significant, contributions from all customer groups. It could keep the first-year rate increase below 100 percent. I believe Path B is the course we must choose, so let me lay out some of the actions that will move us along this path.

As I discuss this path, let me outline the principles I believe are key to reducing rates. First, rates must be set to cover costs if we are to avoid creating a credit problem, which could lead to refusals to sell to us in the future. We must also cover our costs to ensure we preserve the benefits of the federal hydropower system over the long term, which is essentially the bottom line.

Second, the situation is urgent. We must act-quickly because rates must be in effect this coming October 1. As I said earlier, our rate proposal is due in to the Federal Energy Regulatory Commission in June.

Third, our problem is caused by a significant exposure to a volatile market in the first one-to-two years of the rate period. If we are to manage a reduction in the rate increase, we must reduce our exposure to that market by reducing demand for energy, increasing our supply and minimizing the short and long-term damage to the region's economy.

Fourth, contributions to the solution are needed from all customers. We can't play a game a chicken where each party waits for the other to step forward. If that happens, no one will step forward. Each group must contribute if we are to preserve an equitable distribution of the benefits of our hydropower resource.

Actions needed

Given those principles, let me outline the actions we as a region need to take. We need a three-pronged approach that includes curtailment of power use, conservation or more efficient use of power and power buybacks. This needs to happen across all four states, across public and private power, and across all sectors of energy use--industrial, commercial, agricultural and residential. It will take all of us working together if we are to avoid severe economic hardships for the region. Let me be clear; what I am about to suggest requires a great deal of sacrifice, but the alternative is to suffer far more serious consequences. We are beginning negotiations now with our customers. If people don't come to the table with reductions in their demand for electricity, a very large and very damaging rate increase is inevitable.

First, we are calling on our public utility customers to make a contribution to the solution. We need every utility customer to reduce its Subscription purchases from BPA by 5 to 10 percent. BPA's rate increases will spur some of this reduction, but more focused efforts are needed if we are going to achieve significant savings. We are willing to make modest incentive payments to help achieve this, but the incentive payments cannot be large or they will defeat the intended effect.

We are running several demand side management initiatives including a conservation and renewables discount, a conservation augmentation program and a demand exchange program. In addition, we now are discussing the potential for new programs to provide incentives to our public utility customers to adopt innovative retail rate structures that encourage their consumers to conserve energy.

Second, we are calling on investor owned utilities to make a contribution. When our new rates go into effect this October, investor owned utilities or IOUs will receive sizable benefits from BPA for their residential and small farm customers as a result of the residential exchange. Under this program, as it is set out in the Subscription period, 1,900 average megawatts of financial and power benefits are scheduled to go to the IOUs. But, because of dramatic changes in market prices, the estimated value of these benefits has increased enormously since they were negotiated a year ago. By 2002, the value will be 10 times higher than the negotiations intended to capture. As a result, IOUs are in a position to reduce their Subscription demand significantly and still enjoy benefits in excess of anything they have experienced in the 20 year history of the residential exchange.

Third, we are asking our direct service industries or DSIs to agree not to take power from us for up to the first two years of the rate period in return for certain limited compensation to the companies and their workers. It is our expectation that the companies would not be able to operate given a potential tripling of our rates anyway. Coming to an agreement now that the plants will **not operate would allow BPA to avoid** making power purchases, thereby decreasing our rates for all remaining customers.

It is not our intention to drive the aluminum industry out of the region, but we are continuing to encourage the industry to move off of BPA power supplies after the 2006 rate period because we do not have a statutory obligation to continue to serve them. The customers we are obligated to serve the region's retail electric utilities need more than our current generation resources can produce. We will work with these companies to help them find a means to operate profitably in the long run without relying on BPA.

Almost all of the DSIs are already shut down until this fall, and their power is being remarketed to support Northwest needs during the current drought. These buydowns played a key role in keeping the lights on this winter and in maintaining reservoir levels higher than they otherwise would have been.

Fourth, I am urging all citizens of the Northwest to heed the call of our governors to reduce electricity consumption by 10 percent through eliminating waste and using electricity more efficiently. There are a number of common sense measures we can all take, and one good place to start right now is to go out and replace conventional light bulbs with compact fluorescents, which consume about 20 percent of the electricity used by regular bulbs for the same amount of light.

These four sets of actions that I have described are urgently needed between now and June if we are to avert grave near term economic consequences. These are difficult actions. But, with hindsight, we can learn from the problems California experienced and seek to avoid them. We need to do everything we can to avoid power purchases in this incredibly expensive market. We also need to make sure we set rates high enough so we can cover our costs to assure generators get paid when they deliver power on a contractual basis so we don't put our credit at risk:

We also are looking to longer term solutions that will help lead to lowering the incredible wholesale power supply prices we are currently experiencing. The fundamental problem is supply and demand being out of balance. Prompt infrastructure investments are needed in generating resources, especially gas fired and wind powered generation; gas pipeline capacity and storage; electric power transmission facilities; and energy conservation measures.

BPA's rates will now be set on a six-month basis based on our actual costs. If wholesale power prices can be brought down quickly, through infrastructure investments and other actions, then our rates will come down in the future. The faster these actions can be taken, the quicker our rates can come down.

We already have begun plans to shore up the transmission infrastructure, and we are negotiating to purchase the output from combustion turbines and new renewable resources. We also are increasing our efforts to encourage and procure energy efficiency. We are working to implement these actions quickly, but at best, some actions, such as securing more generation, will take one to two years.

That's why I am calling for cooperation and sacrifices for the next two years from all parties BPA serves. If the region cannot or will not take the actions necessary to reduce the rate hike, we have no recourse but to set our rates to recover our costs. BPA does not receive subsidies from taxpayers. We must wholly cover our costs with revenues we receive from sales of power and transmission. We are obligated to repay, with interest, all capital investments that have been made by the federal government in the facilities that are part of the Northwest's federal power system. Already, we have drawn on our financial reserves heavily this winter, and more of the same still may be ahead of us.

Some have suggested that we can simply fail to pay one of our largest creditors the U.S. Treasury rather than declare power emergencies or raise rates sharply. While there is no absolute guarantee we will make our full Treasury payment this October, I believe we should use all management tools available to do so. Our ability to pay our debt in full and on time is the best protection the Northwest has to preserve the benefits of the Columbia River hydropower system for the region; There are interests outside the region that want to see the benefits of this system directed toward other purposes: They could take great political advantage of the opportunity that would be presented if BPA did not cover its costs. One consequence could be the loss of cost based rates for power from the federal system: We have seen how exorbitant market rates can be. If that were to happen, the region would be looking at far higher rate increases than we are now facing.

So, in closing, let me underscore the message. We are on a trajectory that poses grave consequences for the Pacific Northwest, primarily due to extraordinary conditions beyond our control extremely low water, an extremely tight power supply and extremely high wholesale power prices. We believe the only alternative to a huge rate hike is to reduce our exposure to the market in the first two years of the next five year rate period by reducing the Subscription demand on BPA. It will take major contributions from all our customers if we are to prevent a triple digit rate increase. And, we will need to make these very difficult decisions very quickly.

Finally, we believe this proposal, while not an easy one to achieve, fairly balances the sacrifices the region needs and does not unfairly hit one customer group or one state over others. I know putting these proposals into place will be tough, but I believe the consequences of not taking this path will even be tougher.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 926

In the Matter of the Investigation Regarding the Purchase of Subscription Power from the Bonneville Power Administration

STIPULATION RELATING TO
BONNEVILLE POWER
ADMINISTRATION'S
SUBSCRIPTION SETTLEMENT AND
PROPOSED ORDER

NOTICE OF FILING UNDER SEAL

EXHIBIT 5 OF THIS STIPULATION HAS BEEN FILED UNDER SEAL,
PURSUANT TO PROTECTIVE ORDER NO. 99-353 DATED MAY 28, 1999

TO BE OPENED ONLY BY THE COMMISSION,
COMMISSION STAFF, AND CITIZENS' UTILITY BOARD