



Grant County
PUBLIC UTILITY DISTRICT
Excellence in Service and Leadership

May 8, 2012

Jim Schroeder
Manager, Market and Trading Contracts
PacifiCorp
825 N.E. Multnomah Blvd, LCT 600
Portland, OR 97232

Subject: Priest Rapids Project Purchased Attributes

Dear Mr. Schroeder

You have requested a letter which indicates that PacifiCorp, through their purchase power agreements with Public Utility District No. 2 of Grant County (GCPUD), receives a percentage of the Washington Energy Independence Act qualified incremental hydroelectric generation efficiency improvements produced at the Priest Rapids Project (PRP), which includes the Priest Rapids and Wanapum dams. The qualified incremental hydroelectric generation at Wanapum includes the juvenile fish bypass system completed in 2003.

PacifiCorp and GCPUD have entered into three separate power sales contracts relating to the output of the PRP. These contracts include the Priest Rapids Project Product Sales Contract, Contract for Meaningful Priority Sale of Priest Rapids Project Output and the Additional Products Sales Agreement. The Product Sales and Additional Products contracts were later amended through Amendment No. 2 to the Priest Rapids Project Product Sales Contract and Termination of Additional Product Sales Agreement.

The significance of the termination of the Additional Products agreement is that it provided the right to purchase an additional amount of Surplus Product (i.e., Additional Surplus Product). The Surplus Product is an amount of Priest Rapids Project Output (see definition below)

“Priest Rapids Project Output” shall mean the amount of capacity, energy (both firm and non-firm), pondage, reactive power, ancillary services and any other product from the Priest Rapids Development from November 1, 2005 to November 1, 2009 and from the Priest Rapids Project from November 1, 2009 through the term of this contract under the operating conditions which exist during the term, including periods when the Priest Rapids Project may be wholly or partially inoperable for any reason, after correction for encroachment, Canadian Entitlement, station service and

Public Utility District No. 2 of Grant County Washington

project use, and depletions required by the FERC License or other regulatory requirements. (underline added)

The Meaningful Priority contract has a similar definition of Priest Rapids Project Output, but since it is only a one year contract the definition does not include provisions needed in the long term agreements (see definition below).

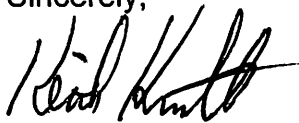
“Priest Rapids Project Output” or “PRPO” shall mean: i) the amount of capacity, energy (both firm and non-firm), pondage, reactive power, ancillary services and any other product produced by the Priest Rapids Project, after correction of encroachment, Canadian entitlement, station and project use, and depletions required by the FERC License or other regulatory requirements. (underline added)

GCPUD regards any incremental hydroelectric energy produced by PRP to be included in any other product and, therefore, PacifiCorp is entitled to its percentage of the qualified incremental hydroelectric energy produced at Wanapum Dam, one of the two dams in the Priest Rapids Project.

The amount of Priest Rapids Project Output PacifiCorp receives for 2012 includes 0.51% Surplus Product, 1.04% Additional Surplus Product and 0.0% Meaningful Priority for a total of 1.55%.

Should you have any questions please do not hesitate to contact me via phone (509-754-5002) or email (Kknitte@gcpud.org).

Sincerely,



Keith Knitter
Manager of Resource Planning