Contract No. DE-MS79-92BP93757

SHORT-TERM
SURPLUS FIRM CAPACITY SALE AGREEMENT
executed by the
UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
acting by and through the
BONNEVILLE POWER ADMINISTRATION
and
PACIFIC POWER & LIGHT COMPANY

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This Agreement, executed 7-9-1992, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville) and PACIFICORP, INC., doing business as PACIFIC POWER & LIGHT COMPANY (Pacific), a corporation organized and existing under the laws of the State of Oregon, hereinafter sometimes referred to individually as "Party" and collectively as "Parties."

W I T N E S S E T H:

WHEREAS, Bonneville is engaged in the sale of electric capacity and energy at wholesale and plans to meet the requirements of this Agreement only with surplus short-term firm capacity; and

WHEREAS, Bonneville, in accordance with subsection 5(f) of the Pacific Northwest Electric Power Planning and Conservation Act, Public Law 96-501 (Northwest Power Act), has short-term firm capacity available that is surplus to its obligations incurred pursuant to subsections 5(b), 5(c) and 5(d) of the Northwest Power Act; and

WHEREAS, Pacific is a utility engaged in the generation, transmission, and distribution of electric energy in the Pacific Northwest; and

WHEREAS, Bonneville and Pacific were Parties to a Power Sales Contract dated August 31, 1971, which provided for the sale of 1127 megawatts of firm capacity by Bonneville to Pacific (Contract No. 14-03-29136) and which expired under its own terms at 2400 hours on August 31, 1991; and

WHEREAS, Bonneville and Pacific by letter agreement dated June 26, 1991 entered into a short-term, one year contract for the sale to Pacific of 1100 megawatts of surplus firm Bonneville capacity, such contract to commence at 2400 hours on August 31, 1991 and to expire at 2400 hours on August 30, 1992; and

WHEREAS, Pacific, in reliance on the former regional Hydro-Thermal Program, incorporated the purchase of firm capacity from Bonneville into its long-term resource planning decisions and therefore desires to continue to purchase 1100 megawatts of surplus firm capacity from Bonneville in order to meet its Pacific Northwest firm load obligations; and

WHEREAS, Bonneville desires to sell to Pacific, and Pacific desires to purchase from Bonneville, surplus firm capacity on a short-term basis and under the terms specified herein; and

WHEREAS, Bonneville is authorized pursuant to law to dispose of electric power and energy generated at various federal hydroelectric projects in the Pacific Northwest or acquired from other resources, to construct and operate transmission facilities, to provide transmission and other services, and to enter into agreements to carry out such authority;

NOW, THEREFORE, the Parties hereto mutually agree as follows:

1. Term of Agreement.

This Agreement shall be effective at 2400 hours on August 30, 1992, and shall continue until 2400 hours on July 31, 1995. All obligations incurred hereunder shall be preserved until satisfied.

2. Exhibits.

General Contract Provisions GCP Form PSC-2 (Exhibit A), Bonneville Wholesale Power Rate Schedules and General Rate Schedule Provisions (Exhibit B), and Points of Delivery (Exhibit C) are hereby made a part of this Agreement. If a provision in the body of this Agreement or of Exhibit C is in conflict with a provision in Exhibit A or B, the provision in the body of this Agreement or in Exhibit C shall prevail. If a provision of Exhibit A is in conflict with a provision of Exhibit B, the provision of Exhibit A shall prevail.

3. <u>Definitions</u>.

The following terms, when used in this Agreement with initial capitalization, whether singular or plural, shall have the meanings specified:

a. "Agreement" means this Short-Term Surplus Firm Capacity Sale Agreement between Bonneville and Pacific.

b. "Calendar Week" means the week beginning at 0001 hours on Sunday, and ending at 2400 hours on the following Saturday.

c. "Contract Demand" means the maximum rate of delivery in any hour, in megawatts (MW), for surplus firm capacity.

d. "Contract Year" means the period August 30, 1992 through July 31, 1993, and thereafter each 12 months beginning August 1, or such other 12-month period as may be adopted as a contract year under the Pacific Northwest Coordination Agreement, as it may be amended or replaced.

e. "Heavy Load Hours" means the period from 0700 hours through 2200 hours on any day Monday through Saturday.

f. "Light Load Hours" means those hours which are not Heavy Load Hours.

g. "Peaking Energy" means the electric energy associated with the delivery of surplus firm capacity to Pacific.

h. "Peaking Replacement Energy" means an amount of energy equal to the Peaking Energy which Pacific is obligated to return to Bonneville.

i. "Point(s) of Delivery" means the point(s) of interconnection between Bonneville's and Pacific's systems as specified in Exhibit C.

j. "Workday" means each day which both Parties observe as a regular day of work.

4. Points of Delivery.

Bonneville shall make surplus firm capacity and associated Peaking Energy available to Pacific pursuant to section 5(a), and Pacific shall make available Peaking Replacement Energy to Bonneville pursuant to section 5(b) at the Points of Delivery specified in Exhibit C.

5. Sale of Capacity and Amounts Sold.

Bonneville shall make available and Pacific shall purchase each month of each Contract Year an amount of surplus firm capacity equal to 1100 megawatts (the Contract Demand).

a. Surplus Firm Capacity and Peaking Energy. Bonneville shall make scheduled amounts of surplus firm capacity and associated Peaking Energy available to Pacific in any hour or in any portion of an hour, in amounts up to the Contract Demand, pursuant to the scheduling provisions of section 6. During the Heavy Load Hours, such scheduled amounts of Peaking Energy shall not exceed 10 megawatt hours (MWh) per MW of Contract Demand in any day and shall not exceed 50 MWh per MW of Contract Demand in any Calendar Week.

b. Peaking Replacement Energy.

(i) Deadline for Returns. Except as provided in section 5(b)(iii), or unless arrangements for compensation pursuant to section 7(c) have been agreed to by the Parties, Pacific shall, within 168 hours after the receipt of any Peaking Energy at the Points of Delivery, deliver an equal amount of Peaking Replacement Energy to Bonneville at the Points of Delivery. The Parties' schedulers or dispatchers may agree to delay deliveries of Peaking Replacement Energy beyond 168 hours or provide for advanced delivery of such Peaking Replacement Energy.

(ii) Normal Rate of Return. Except as provided in section 5(b)(iii), Pacific may deliver Peaking Replacement Energy at hourly rates of up to 100 percent of Contract Demand, or at hourly rates greater than 100 percent of Contract Demand upon agreement by Bonneville.

(iii) Restricted Rate of Return. Bonneville shall have the right, subject to the limitations in section 5(b)(iv), to limit such hourly schedules of Peaking Replacement Energy during any month of any Contract Year to amounts not less than, unless otherwise mutually agreed, an amount (MWhs per hour) equal to the Contract Demand, multiplied by the Limitation Factor for such month as set forth below:

Month	Limitation Factor
July	0.60
August	0.60
September	0.60
October	0.60
November	1.00
December	1.00
January	1.00
February	1.00
March	0.60
April	0.60
May	0.80
June	0.80

(iv) Limitations on Rate of Return Restrictions. If, pursuant to section 5(b)(iii), Bonneville elects to limit Pacific's hourly schedules of Peaking Replacement Energy during any hour(s) of any Contract Year, such hourly limitations shall, unless otherwise mutually agreed, be imposed for a minimum of five (5) consecutive hours and provided, that the sum of such hourly limitations shall not exceed 600 hours in any Contract Year or in any Calendar Week shall not exceed 35 hours, and provided further, that the number of hours of such limitations shall be calculated for each hour during the months of March through October of any Contract Year as:

$$H = \frac{1.0 - ((ASL)/(CD))}{(1.0 - LF)}$$

Where:

H = The number of hours of limitations on Peaking Replacement Energy, calculated to the nearest 0.1 hour.

ASL = The maximum hourly schedule of Peaking Replacement Energy allowed by Bonneville in the hour (MWh/hr).

CD = The Contract Demand (MW).

LF = The Limitation Factor for such hour.

If a Contract Year contains less than 12 months, the maximum hours or interruption for such Contract Year shall be multiplied by the number of months in such Contract Year, divided by 12.

6. Scheduling Provisions.

Unless otherwise agreed by the Parties' respective schedulers or dispatchers for a specific schedule, all schedules of Peaking Energy and Peaking Replacement Energy shall be subject to the following provisions:

a. All deliveries of Peaking Energy and Peaking Replacement Energy shall be prescheduled on each Workday for each hour of the following day or days through the next regular Workday.

(i) Except as provided in section 6(a)(ii), all preschedules under this Agreement shall be submitted in accordance with Bonneville's prevailing scheduling practice within the Pacific Northwest under Bonneville's utility firm power sales contracts entered into pursuant to section 5(b) of the Northwest Power Act as such contracts may be amended or replaced; provided that Pacific shall not be required to submit a preschedule earlier than 1200 hours.

(ii) In the event Bonneville elects to limit schedules of Peaking Replacement Energy pursuant to section 5(b)(iii), Bonneville shall give reasonable advance notice to Pacific but in no event shall such notice be later than 1100 hours on any Workday for the following day or days through the next Workday. If such schedules are so restricted, preschedules will be the later of:

(A) three hours from the time such notice is received by Pacific, or

(B) the time preschedules are normally due pursuant to section 6(a)(i).

b. <u>Changes to Preschedules</u>. Pacific shall have the right to make limited changes to prescheduled deliveries of Peaking Energy as described below, provided that the schedule of Peaking Energy in any hour or portion of an hour shall not exceed the Contract Demand.

(i) Heavy Load Hours. Upon verbal notice given not less than 30 minutes prior to the beginning of any Heavy Load Hour, or less than 30 minutes if agreed by Bonneville, Pacific shall have the right to increase or decrease the amount of Peaking Energy prescheduled or scheduled for delivery during such Heavy Load Hour; provided that the sum of the absolute values of any differences between the final schedule and the original preschedule pursuant to section 6(a)(i) for Peaking Energy (expressed in MWh) during the Heavy Load Hours of any day shall not exceed an amount equal to six times Contract Demand (expressed in MWh).

(ii) Light Load Hours. Upon verbal notice given not less than 30 minutes prior to the beginning of any Light Load Hour, or less than 30 minutes if agreed by Bonneville, Pacific shall have the right to increase the amount of Peaking Energy prescheduled or scheduled for delivery during such Light Load Hour.

c. Bonneville shall schedule Peaking Energy to Pacific in hourly amounts requested by Pacific pursuant to this section.

d. Except as provided in section 6(b), any changes to preschedules or schedules of Peaking Energy and Peaking Replacement Energy under this Agreement shall be only upon mutual agreement of the Parties. The Parties shall use best efforts to avoid requesting such additional changes from the prescheduled amounts.

7. Payment and Rates.

a. Payment. Bonneville shall prepare a consolidated power bill for net payments due by either Party to the other Party under this and other agreements. In accordance with Bonneville's General Rate Schedule Provisions in Exhibit B, Bonneville shall submit such bill to Pacific, and Pacific shall pay Bonneville each month, for all amounts described in this section.

b. Rate for Surplus Firm Capacity. Payment for surplus firm capacity made available by Bonneville under this Agreement shall be at the rate specified in this section 7(b). The effective rate shall be rounded to the nearest cent. The rates for surplus firm capacity are as follows:

(i) Initial Rate. $5.04 per kilowatt (kw) - month of Contract Demand.

(ii) Escalation. The rate for surplus firm capacity purchased by Pacific under this Agreement shall be adjusted to reflect any changes in Bonneville's average system cost. Such adjustment shall be made whenever Bonneville has a general rate case and such adjustment shall be effective on the same day that adjustments to Bonneville's other rates become effective. The adjusted rate for firm capacity shall be determined from the following formula:

$$\text{PPL-CAP}_n = \text{PPL-CAP}_{init} * \frac{\text{BASC}_n}{\text{BASC}_{init}}$$

WHERE: $PPL\text{-}CAP_n$ = The adjusted firm capacity rate (in $/kW-month of Contract Demand and calculated to the nearest cent) to be effective subsequent to Bonneville's then most recent general rate case on the effective date of Bonneville's other newly adjusted rates.

$PPL\text{-}CAP_{init}$ = $5.04 per kW-month of Contract Demand.

$BASC_n$ = Bonneville's average system cost (in mills per kWh and calculated to the nearest one-tenth of a mill) as determined in Bonneville's then most recent general rate case that will be used to adjust Bonneville's wholesale power rate schedules. Bonneville's average system cost shall be equal to Bonneville's total system costs for the test period of such general rate case divided by Bonneville's total annual system sales (kWh) forecasted for such test period. Bonneville's total system costs shall be the sum of all Bonneville's costs forecasted in each general rate case for the applicable rate period, including total transmission costs, Federal base system costs, new resource costs, exchange resource costs, and other costs not specifically allocated to a rate pool, such as section 7(g) costs under the Northwest Power Act.

Bonneville's total annual system sales shall be the sum of all Bonneville's system firm and nonfirm sales forecasted in each general rate case for the applicable test period.

Bonneville average system cost shall be redetermined in each subsequent general rate case according to the above formula and will be in effect for the entire rate period over which the rates are in effect.

$BASC_{init}$ = 24.4 mills per kilowatt hour.

c. Cashout. The Parties may agree that Pacific will make a payment rather than provide delivery of Peaking Replacement Energy to Bonneville pursuant to section 5(b)(i). Any such payment shall be at a rate authorized under Bonneville's then-effective rate schedules.

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

UNITED STATES OF AMERICA
Department of Energy
Bonneville power Administration

By ______________________
Senior Assistant Administrator

Date July 9, 1992

PACIFIC POWER & LIGHT COMPANY

By ______________________

Title Vice President

Date July 1, 1992

POINTS OF DELIVERY

General:

The Parties agree that for the purposes of this Agreement, Peaking Energy and Peaking Replacement Energy shall be scheduled between the Parties' systems for receipt and/or delivery at all of the Points of Delivery set forth below, provided that:

1. Nothing in this Agreement shall be construed to limit or change either Party's rights to receive and/or deliver power and energy at other points of delivery or locations under other agreements.

2. Nothing in this Agreement shall be construed to obligate either Party to construct new facilities at any Point of Delivery unless the Parties mutually agree upon a set of objectives for the provision of such facilities.

3. Nothing in this Agreement shall be construed to limit or change either Party's ownership or contractual rights or obligations (including Intertie rights or obligations) under other agreements.

4. By mutual agreement, the Parties may from time to time add or delete Points of Delivery from this Exhibit C and in such event, the Parties shall prepare an amended Exhibit C to reflect such changes.

POD Descriptions:

1. Alvey 230 kV Point of Delivery.

Location: the point in Bonneville's Alvey Substation where the 230 kV facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in Bonneville's Alvey Substation, in the 230 kV circuits over which electric power and energy flows;

2. Fairview 230 kV Point of Delivery.

Location: the point in Bonneville's Fairview Substation where the 230 kV facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in Bonneville's Fairview Substation, in the 230 kV circuit over which electric power and energy flows;

3. McNary 230 kV Point of Delivery.

Location: the point in Bonneville's McNary Substation where the 230 kV facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in Bonneville's McNary Substation, in the 230 kV circuit over which electric power and energy flows;

4. Midway Point of Delivery.

Location: the point in Bonneville's Midway Substation where the 230 kV facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in Bonneville's Midway Substation, in the 230 kV circuit over which electric power and energy flows;

5. Outlook Point of Delivery.

Location: the point in Pacific's Outlook Substation where the 230 kV facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in Pacific's Outlook Substation, in the 115 kV circuit over which electric power and energy flows;

Exception: there shall be an adjustment for losses between the point of metering and the point of delivery;

6. Pilot Butte Point of Delivery.

Location: the point in Bonneville's Redmond-Yamsay 230 kV transmission line where the facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in Pacific's Pilot Butte Substation, in the 69 kV circuits over which electric power and energy flows;

Exception: there shall be an adjustment for losses between the point of metering and point of delivery;

7. Ponderosa Point of Delivery.

Location: the point in Bonneville's Ponderosa Substation where the 230 kV facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in Bonneville's Ponderosa Substation, in the 230 kV circuit over which electric power and energy flows;

8. Reston Point of Delivery.

Location: the point in Bonneville's Reston Switching Station where the 230 kV facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in Bonneville's Reston Switching Station, in the 230 kV circuit over which electric power and energy flows;

9. Troutdale Point of Delivery.

Location: the point in Bonneville's Troutdale Substation where the 230 kV facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in Bonneville's Troutdale Substation, in the 230 kV circuits over which electric power and energy flows;l

Exception: the Integrated Demands of the two circuits are totalized;

10. Yamsay Point of Delivery:

Location: the point where Bonneville's Redmond-Yamsay 230 kV transmission line and Pacific's Yamsay-Klamath Falls 230 kV transmission line are connected;

Voltage: 230 kV;

Metering:

(a) in Pacific's Chiloquin Substation in the 230 kV circuit over which electric power and energy flows;

(b) in Pacific's Pilot Butte Substation, in the 69 kV circuit over which electric power and energy flows;

Exception: there shall be an adjustment for losses between the point of delivery and the points of metering.