

11-6-2009

# City of Idaho Falls v. Fuhriman Clerk's Record v. 1 Dckt. 36721

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**IN THE SUPREME COURT OF THE STATE OF IDAHO**

IN RE THE VALIDITY OF THE )  
POWER SLAES AGREEMENT AND )  
THE CREDITWORTHINESS )  
AGREEMENT BETWEEN VERFIED )  
PETITION FOR THE CITY OF IDAHO )  
FALLS JUDICIAL CONFIRMATION )  
AND THE BONNEVILLE POWER )  
ADMINISTRATION. )

Case No. CV-2009-1736

Docket No. 36721

Volume I

\_\_\_\_\_  
THE CITY OF IDAHO FALLS, )

Petitioner/Respondent, )

v. )

MAYOR JARED FUHRIMAN, )

Intervenor/Appellant. )  
\_\_\_\_\_

\*\*\*\*\*

**CLERK'S RECORD ON APPEAL**

\*\*\*\*\*

Appeal from the District Court of the  
Seventh Judicial District of the State of Idaho,  
in and for the County of Bonneville

HONORABLE Darren B. Simpson, District Judge.

\*\*\*\*\*

Molly O'Leary  
RICHARDSON & O'LEARY, PLLC  
515 N. 27<sup>th</sup> Street  
Boise, ID 83702

Dale W. Storer  
HOLDEN KIDWELL HAHN & CRAPO  
PO Box 50130  
Idaho Falls, ID 83405

*Attorney for Appellant*

*Attorney for Respondent*

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Date: 10/14/2009

Seventh Judicial District Court - Bonneville County

User: LMESSICK

Time: 01:00 PM

ROA Report

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Case: CV-2009-0001736 Current Judge: Darren B. Simpson

The City Of Idaho Falls, etal. vs. no defendant

The City Of Idaho Falls, The Bonneville Power Administration vs. no defendant

Date	Code	User		Judge
3/19/2009	NCOC	WILLIAMS	New Case Filed-Other Claims	Gregory S. Anderson
	NOAP	WILLIAMS	Plaintiff: The City Of Idaho Falls Notice Of Appearance Dale W. Storer and Daniel C. Dansie	Gregory S. Anderson
		WILLIAMS	Filing: U - Fee for opening any other civil case not listed on the schedule Paid by: Storer, Dale W. (attorney for The City Of Idaho Falls) Receipt number: 0013032 Dated: 3/20/2009 Amount: \$.00 (Cash) For: The City Of Idaho Falls (plaintiff)	Gregory S. Anderson
	PETN	WILLIAMS	Verified Petition for Judicial Confirmation	Gregory S. Anderson
	AFFD	WILLIAMS	Affidavit of Jacqueline Flowers, in Support of Petition for Judicial Confirmation	Gregory S. Anderson
	AFFD	WILLIAMS	Affidavit of Jo A. Elg, in Support of Petition for Judicial Confirmation	Gregory S. Anderson
	BRIF	WILLIAMS	Brief in Support of Verified Petition for Judicial Confirmation	Gregory S. Anderson
		WILLIAMS	***5 CD-Rom discs of documents***	Gregory S. Anderson
3/26/2009	HRSC	LMESSICK	Hearing Scheduled (Motion 05/07/2009 09:00 AM) Judicial Confirmation	Gregory S. Anderson
3/30/2009	NOTC	DOOLITTL	Notice of Filing of Judicial Confirmation Petition	Gregory S. Anderson
4/17/2009	ANSW	LMESSICK	Answer of the Honorable Jared D. Fuhriman to City of Idaho Falls' Petition for Judicial Confirmation	Gregory S. Anderson
	BRIF	LMESSICK	Brief in Support of Mayor Jared DD. Fuhriman's Answer to City of Idaho Falls' Petition for Judicial Confirmation	Gregory S. Anderson
	NOAP	LMESSICK	Notice Of Appearance	Gregory S. Anderson
5/6/2009	JUDGE	HUNTSMAN	Judge Change	Darren B. Simpson
		HUNTSMAN	Order of Assignment to Judge Darren B. Simpson	Darren B. Simpson
	ORDR	LMESSICK	Order of Self Disqualification (Anderson)	Gregory S. Anderson
	AFFD	WOOLF	Affidavit of Publication and Posting	Darren B. Simpson
5/7/2009	DCHH	LMESSICK	Hearing result for Motion held on 05/07/2009 10:00 AM: District Court Hearing Held Court Reporter: Sandra Beebe Number of Transcript Pages for this hearing estimated: Judicial Confirmation 100 pages	Darren B. Simpson
5/8/2009	MINE	LMESSICK	Minute Entry	Darren B. Simpson
6/25/2009	JDMT	QUINTANA	Judgment	Darren B. Simpson
7/14/2009	NOTC	SHULTS	Notice of Appeal to Supreme Court (O'Leary)	Darren B. Simpson
		KESTER	Filing: L4 - Appeal, Civil appeal or cross-appeal to Supreme Court Paid by: Richards & O'Leary Receipt number: 0032362 Dated: 7/20/2009 Amount: \$101.00 (Check) For: Fuhriman, Jared Dean (other party)	Darren B. Simpson
	NOAP	KESTER	Other party: Fuhriman, Jared Dean Notice Of Appearance Molly O'Leary	Darren B. Simpson

Date: 10/14/2009

Seventh Judicial District Court - Bonneville County

User: LMESSICK

Time: 01:00 PM

ROA Report

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Case: CV-2009-0001736 Current Judge: Darren B. Simpson

The City Of Idaho Falls, etal. vs. no defendant

The City Of Idaho Falls, The Bonneville Power Administration vs. no defendant

Date	Code	User		Judge
7/20/2009	BNDC	SHULTS	Bond Posted - Cash (Receipt 32367 Dated 7/20/2009 for 100.00) \$100.00 deposit for clerk's record on appeal.	Darren B. Simpson
8/14/2009		SHULTS	S.C. Respondent's Motion for Expedited Hearing Memorandum Brief in Support.	Darren B. Simpson
9/2/2009	ORDR	SHULTS	S.C. Order Granting Respondent's Motion for Expedited Hearing	Darren B. Simpson
		SHULTS	Due date	Darren B. Simpson

BONNEVILLE COUNTY

DALE W. STORER (ISB No. 2166)  
Daniel C. Dansie (ISB No. 7985)  
HOLDEN, KIDWELL, HAHN & CRAPO, P.L.L.C.  
1000 Riverwalk Drive, Suite 200,  
Idaho Falls, Idaho 83402

09-1736

CASE ASSIGNED TO  
JUDGE GREGORY S. ANDERSON

Attorneys for Petitioner,  
The City of Idaho Falls

IN THE SEVENTH JUDICIAL DISTRICT COURT OF BONNEVILLE COUNTY,  
STATE OF IDAHO

IN RE THE VALIDITY OF THE )  
POWER SALES AGREEMENT )  
AND THE CREDITWORTHINESS )  
AGREEMENT BETWEEN )  
THE CITY OF IDAHO FALLS )  
AND )  
THE BONNEVILLE POWER )  
ADMINISTRATION )

No. 09-1736

VERIFIED PETITION FOR  
JUDICIAL CONFIRMATION  
FILING CATEGORY: U  
FILING FEE: \$88.00

The City of Idaho Falls, Idaho, a municipal corporation organized and existing under the laws of the State of Idaho (the "City"), brings this Verified Petition for Judicial Confirmation (this "Petition") pursuant to the Judicial Confirmation Law of the State of Idaho, Title 7, Chapter 13, Idaho Code, as amended (the "Judicial Confirmation Law"), to confirm the validity of the Power Sales Agreement, Contract No. 09PB-13056 (the "Renewal Power Sales Agreement") and the Creditworthiness Agreement, Contract No. 09PB-13257 (the "Creditworthiness Agreement"), each between the City and the United States of America, Department of Energy, acting by and through the Bonneville Power Administration ("Bonneville").



This Petition provides a statement of the legal authority for the obligations of the City under the Renewal Power Sales Agreement and the Creditworthiness Agreement, and the facts on which the validity of such obligations is based. Such statements are supplemented by the Affidavits of Jacqueline Flowers and Jo Elg, General Manager and Assistant General Manager of Idaho Falls Power, respectively, and the Brief in Support of Verified Petition for Judicial Confirmation which are filed herewith and are incorporated by reference in this Petition.

In support of this Petition, the City states as follows:

### **I. JURISDICTION**

1. The Judicial Confirmation Law provides that “the governing body of a political subdivision may file or cause to be filed at any time in the judicial district court in and for the district in which the political subdivision is located wholly or in part, praying a judicial examination and determination of the validity of any bond or obligation or of any agreement or security instrument related thereto, of the political subdivision....” Section 7-1304(1), Idaho Code, as amended.

2. The City is a municipal corporation organized and existing under Title 50, Chapter 1, Idaho Code, as amended, and a “political subdivision” within the meaning of the Judicial Confirmation Law, Section 7-1303(6), Idaho Code, as amended. The Renewal Power Sales Agreement is an “obligation” of the City within the meaning of the Judicial Confirmation Law, Section 7-1303(5), Idaho Code, as amended. The Creditworthiness Agreement is an “agreement or security instrument related” to the “obligation” of the City under the Renewal Power Sales Contract, within the meaning of the Judicial Confirmation Law, Sections 7-1303(7) and 7-1304(1), Idaho Code, as amended.

3. The Court has jurisdiction over this Petition, and the Court is the proper venue for this Petition, pursuant to Section 7-1304 of the Judicial Confirmation Law and Section 1-705, Idaho Code, as amended.

4. By resolution duly adopted at a regular public meeting held on November 25, 2008, the City Council of the City duly adopted a resolution approving and authorizing the Renewal Power Sales Agreement and the Creditworthiness Agreement; such resolution further authorized and directed the Mayor, City Attorney and other officers of the City to commence proceedings pursuant to the Judicial Confirmation Law to confirm the validity of the Renewal Power Sales Agreement and the Creditworthiness Agreement; and a true and correct extract of the minutes of the November 25, 2008 meeting, including a certified copy of such resolution, is attached hereto as *Exhibit A*.

5. Section 7-1304(3) of the Judicial Confirmation Law requires, prior to the filing by the City of this Petition for the confirmation of the validity of Renewal Power Sales Agreement and the Creditworthiness Agreement, that:

a. at least 15 days prior to the date of a public hearing to consider whether the governing body of the City (*i.e.*, the City Council of the City) should adopt a resolution or ordinance authorizing the filing of this Petition, notice of the time, place and a summary of the matter shall be published one time in the official newspaper of the City and with the form and content described in Section 7-1306(2) of the Judicial Confirmation Law;

b. the City Council shall send a notice of the time and place of the public hearing, at least 14 days before the date of the public hearing, by certified mail to all persons who, pursuant to Section 7-1304(3) of the Judicial Confirmation Law, have requested notice of public hearings held by the City Council to consider the filing of petitions pursuant to the Judicial Confirmation Law, which request for notice is valid until December 31 of the year in which it was filed;

c. the City Council of the City shall hold the public hearing on whether to file this Petition; and

d. not less than 14 days after the public hearing, the City Council shall adopt a resolution or ordinance authorizing the filing of this Petition.

6. The City has satisfied these requirements with respect to this Petition by:

a. causing a Notice of Public Hearing, in the form attached hereto as *Exhibit B*, to be published one time in *The Post-Register*, the official newspaper designated by the City pursuant to Section 50-213, Idaho Code; such Notice of Public Hearing set forth the time and place and summary of the matter to be considered at the public hearing, was in a format and in such size and type to distinguish it from legal notices, ran in the main news section of *The Post-Register*, far forward and was published on December 2, 2008, all as set forth in the publisher's affidavit attached hereto as *Exhibit B*;

b. providing notice to any person who has filed during the year 2008 a request for notice of public hearings held by the City Council to consider the filing of petitions pursuant to the Judicial Confirmation Law. Attached hereto as *Exhibit C* is a

certificate of the City Clerk *pro tem* of the City to the effect that during the year 2008 no person filed a request for notice of public hearings held by the City Council to consider the filing of petitions pursuant to the Judicial Confirmation Law;

c. conducting a public hearing on December 18, 2008 on whether to file this Petition. All persons appearing at the December 18 public hearing were afforded an opportunity to be heard and a true and correct extract of the minutes of the December 18 public hearing is attached hereto as *Exhibit D*; and

d. adopting a resolution authorizing the filing of this Petition on January 8, 2009, being a date not less than 14 days after the December 18, 2008 public hearing. A true and correct extract of the minutes of the January 8 meeting, including a certified copy of such resolution, is attached hereto as *Exhibit E*.

7. Jurisdiction of the Court will be complete upon publication and posting of the notice of filing of this Petition as required by Section 7-1306, Idaho Code, as amended.

8. Section 7-1305, Idaho Code, as amended, recognizes that an action under the Judicial Confirmation Law is in the nature of a proceeding *in rem*, and jurisdiction of all parties interested is accomplished by publication and posting as required by Section 7-1306 of the Judicial Confirmation Law.

## II. THE CITY AND THE SYSTEM

9. Section 50-325, Idaho Code, as amended, provides that “Cities shall have authority: to acquire, own, maintain and operate electric power plants, purchase electric power, and provide for distribution to the residents of the city...”. Pursuant to this authority, the City has since 1900

owned and operated its municipal electric utility system (the “System”) which generates, transmits and distributes electricity to residential, commercial, industrial and other consumers located in the System’s established service area. The System is operated by the City’s Electric Light Division, which does business, and is referred to in this Petition, as “Idaho Falls Power”. The System presently provides reliable and low-cost electric service to over 25,000 customer accounts. For its last year of operations (the twelve months ended September 30, 2008), the total electricity requirements of the customers served by Idaho Falls Power were approximately 748,000 MegaWatt-hours (“MWh”), representing an annual energy requirement of 86.6 average MegaWatts (“aMW”). Over the past 10 years the electric energy requirements of the customers served by the System have grown at a rate of almost 2% per year.

10. The City owns and operates certain hydroelectric generating facilities located on the Snake River known as the Bulb Turbine Project and the Gem State Project. Since it was placed in operation, all of the output of the Bulb Turbine Project has been sold to Bonneville under net billing and other arrangements as authorized by Section 50-342, Idaho Code, on terms favorable to the City. A portion of the output of the Gem State Project is sold to Rocky Mountain Power (successor to Utah Power & Light Company) under a long-term power sales contract more fully described in *Utah Power & Light v. Campbell*, 108 Idaho 950, 703 P.2d 714 (1985).

11. The generating output of the Bulb Turbine Project and the Gem State Project varies with streamflows down in Snake River. In average water year, Bulb Turbine Project and the Gem State Project are capable of producing a combined generation of approximately 32 aMW of energy. In a low water year (known as “critical water”), the generating output of the Bulb Turbine and Gem State Projects is about 21.5 a MW. Taking into account the City’s power sales

obligations to Bonneville and Rocky Mountain Power, the output of these Projects available to the City is less than 6 aMW in a critical water year. Consequently, the City purchases at wholesale a substantial portion of the System's annual electricity requirements.

12. Since 1963, the City has purchased most of the System's energy requirements from Bonneville pursuant to the authority of Sections 50-325 and 50-342, Idaho Code, as amended. Under federal law, the City is a statutory preference customer of Bonneville and currently purchases approximately 90% of its power requirements from Bonneville under the Block and Slice Power Sales Agreement, Contract No. 00PB-12173, (the "2001 PSA"). Power deliveries under the 2001 PSA began on October 1, 2001 and end on September 30, 2011. The Renewal Power Sales Agreement that is the subject of this Petition renews and continues the City's power purchases from Bonneville for a seventeen-year term beginning October 1, 2011.

13. The validity of the 2001 PSA (and the related creditworthiness agreement) was confirmed by the Seventh Judicial District Court in a proceeding brought by the City pursuant to the Judicial Confirmation Law, Case No. CV-01-93.

### **III. THE OBLIGATIONS**

14. The "obligation" of the City (within the meaning of the Judicial Confirmation Law) that is the subject of this Petition is the City's payment obligations under the Renewal Power Sales Agreement, a true, correct and complete copy of which is attached hereto as *Exhibit F*.

15. The Renewal Power Sales Agreement is an "obligation" of the City (within the meaning of the Judicial Confirmation Law) because it creates a long-term obligation of the City

to purchase and pay for electric power from Bonneville over the seventeen-year term of the Renewal Power Sales Agreement commencing October 1, 2011.

16. Bonneville has required each of its preference customers executing power sales agreements comparable to the Renewal Power Sales Agreements to enter into a Creditworthiness Agreement. The Creditworthiness Agreement, a true, correct and complete copy of which is attached hereto as *Exhibit G*, provides that Bonneville may require the City to post collateral to secure its payment obligations under the Renewal Power Sales Agreement in the event that the credit rating of Idaho Falls Power falls below “investment grade”. The Creditworthiness Agreement does not create a new or additional “obligation” of the City, but is a “security instrument” or an agreement “related” to the City’s primary obligation under the Renewal Power Sales Agreement (all within the meaning of the Judicial Confirmation Law).

17. The City has entered into the Renewal Power Sales Agreement and the Creditworthiness Agreement pursuant to the authority contained in Sections 50-325 and 50-342, Idaho Code, as amended.

#### **IV. THE RENEWAL POWER SALES AGREEMENT**

18. Bonneville began a public process in 2005 (known as the “*Regional Dialogue*”) to determine its role as power supplier in the Pacific Northwest and to develop the foundation for the long-term power sales agreements it would offer to its preference customers upon expiration of the current agreements in 2011. Management of Idaho Falls Power was involved directly in the Regional Dialogue process and reviewed and commented on Bonneville’s policy proposals and participated in meetings with Bonneville and other preference customers regarding

Bonneville's power supply product offerings. As a result of the Regional Dialogue process, Bonneville determined to offer renewal power sales agreements to all of its preference customers for power deliveries beginning in 2011 and extending to 2028 and to allocate all of the firm (*i.e.*, reliable) output of the existing and operating generating resources comprising the federal Columbia River Power System (the "*Federal Power System*") to meet its power supply obligations under these agreements.

19. Management of Idaho Falls Power conducted a thorough and extensive review of the terms of the Renewal Power Sales Agreement and commissioned an independent consulting engineer's study (the "*Engineer's Report*," which is included as a part of the November 25, 2008, proceedings of the City Council attached hereto as *Exhibit C*) to assist its analysis of the Renewal Power Sales Agreement. In recommending approval the Renewal Power Sales Agreement, management of Idaho Falls Power and the Engineer's Report considered and analyzed, among other things, (a) the System's power supply resources and requirements, (b) the terms of the Renewal Power Sales Agreement, (c) the existing and operating power supply resources available to Bonneville to meet its power supply obligations under the Renewal Power Sales Agreement, and (d) the reliability and expected cost of power supply from Bonneville as compared to alternative power supplies. Based upon the analysis and recommendations of management of Idaho Falls Power and the consulting engineer, the City Council authorized and approved the Renewal Power Sales Agreement, determining that it is in the best interests of the City to execute the Renewal Power Sales Agreement. In the opinion of management of Idaho Falls Power and the consulting engineer, the Renewal Power Sales Agreement is the best power supply resource available to the City and the reliability and cost of the System's power supply would be adversely affected if the City did not enter into the Renewal Power Sales Agreement.



20. Based upon the recommendations of management of Idaho Falls Power and the consulting engineer, the City Council determined to execute the Renewal Power Sales Agreement for the purchase the "Slice" and "Block" power supply products. The City presently purchases power supply products similar to the "Slice" and "Block" power supply products under the 2001 PSA.

21. Under the "Slice" power supply product, the City will purchase a specified percentage of the output of the Federal Power System. This percentage will be formally established prior to the beginning of power deliveries and is subject to adjustment from time to time pursuant to the provisions of the Renewal Power Sales Agreement. The amount of power made available to the City under the Slice product will vary with the actual generating output of the Federal Power System. Section 5.1 of the Renewal Power Sales Agreement provides that the Slice product is a power sale and under no circumstance shall be construed as a sale of the resources or capability of the Federal Power System.

22. Under the "Block" power supply product, the City will purchase specified amounts of power each month. The amounts of power will vary by month to reflect seasonal variations in the power requirements of the customers served by the System. The specific amount of Block power to be purchased by the City will be formally established prior to the beginning of power deliveries and will remain fixed for the term of the Renewal Power Sales Agreement.

23. The City presently expects that approximately equal amounts of the power will be delivered to it under the Slice and Block power supply products. The total amount of power available to the City in each year under the Renewal Power Sales Agreement will be less than the

requirements of the System, and the City will need to acquire supplemental power supplies to meet all of the System's requirements.

24. The Renewal Power Sales Agreement creates an obligation of the City to purchase power and energy from Bonneville and an obligation of Bonneville to sell power and energy to the City for a seventeen-year term commencing October 1, 2011. The power sales and purchase obligations of the City and Bonneville are "firm" and performance by either party is excused only in the event of an "Uncontrollable Force" (defined in the Renewal Power Sales Agreement to include interruption of power transmission to the City, disruption of the distribution facilities of the System, *force majeure* events and other events beyond the control of the parties).

25. The rates to be paid by the City for power and energy under the Renewal Power Sales Agreement are cost-based rates that will be determined in accordance with the provisions of governing federal law and the Renewal Power Sales Agreement. Federal law requires Bonneville to charge the City and its other customers cost-based rates, and these rates are subject to approval by the Federal Energy Regulatory Commission. The Renewal Power Sales Agreement provides that Bonneville's actual power supply rates will be determined under a methodology that recovers its costs, and this methodology will be subject to the approval of the Federal Energy Regulatory Commission. The City will pay a flat monthly rate for the Slice power supply product and a per-unit (*i.e.*, \$/MWh) rate for the Block product. The rates are subject to adjustment from time to time during the term of the Renewal Power Sales Agreement to recover Bonneville's costs.

26. The importance of cost-based rates cannot be overemphasized. Wholesale, or market-based, rates are marked up from cost, and are driven by supply and demand in the

competitive wholesale market. Consequently, such rates volatile and uncertain, and have increased considerably in the past several years to levels that are at least double the price of Bonneville's cost-based power supply products.

27. Under Section 3.2 of the Renewal Power Sales Agreement, the City is obligated to pay for the power that Bonneville "makes available" to the City under the Slice and Block power supply products. Bonneville's power supply operation "makes available" power to the City by delivering it to the points of receipt under the City's firm transmission contract with Bonneville's transmission operation under which power is transmitted to the System. The City is obligated to pay for the power that Bonneville "makes available" to the City regardless of whether it takes delivery of the power.

28. The Renewal Power Sales Agreement provides that City's payment obligations thereunder (a) constitute a cost of purchased electric power and energy and an ordinary and necessary expense of the operation of its municipal electric system, (b) are limited to the revenues and income of its electric utility enterprise fund and (c) shall not constitute an indebtedness or liability of the City within the meaning of any constitutional or statutory limitation or restriction.

29. The Renewal Power Sales Agreement provides further that (a) the City will establish and collect rates and charges for the electricity it provides to the customers served by the System to produce revenues sufficient to recover its power supply costs and (b) the City shall not be obligated to levy or assess any taxes for the purpose of paying amounts due to Bonneville under the Renewal Power Sales Agreement.

30. As discussed in greater detail in the Engineer's Report, the Renewal Power Sales Agreement will enable the City to continue its purchase of reliable, cost-based power at economical rates from Bonneville, and no commercially reasonable alternative power supply is available in the wholesale electric market.

31. The rates paid by the City under the 2001 PSA have in each year been less than wholesale market prices for electricity and have been far more stable and less volatile than market prices.

32. The rates the City expects to pay under the Renewal PSA are substantially below current and projected wholesale market rates. No power purchase agreements are available in the wholesale market for a term longer than five years. As discussed in the Engineer's Report, any alternate power supply resource would expose Idaho Falls Power and its customers to reduced reliability, substantially increased and more volatile power supply costs and counterparty performance and credit (bankruptcy) risks, and there is no commercially reasonable alternative power supply arrangement available to the City.

#### **V. ORDINARY AND NECESSARY EXPENSES**

33. The Idaho Supreme Court held in *Asson v. City of Burley*, 105 Idaho 443, 670 P.2d 839 (1983), that there was no statutory authority for five Idaho municipalities (one of which was the City) to enter into a Participants' Agreement to purchase the "project capability" of two nuclear power projects to be constructed by the Washington Public Power Supply System. The Participants' Agreement contained a "Hell or High Water" clause that unconditionally obligated the cities to repay long-term indebtedness incurred by the Supply System, regardless of whether

the power projects were constructed and regardless of whether power was supplied in return. The Court ruled that the cities were “underwriting another entity’s indebtedness in return for merely the possibility of electricity” and that their payment obligations under the Participants’ Agreement, accordingly, did not constitute “ordinary and necessary expenses” within the meaning of Art. VIII, § 3 of the Idaho Constitution.

34. Unlike the Participants’ Agreement at issue in *Asson*, the Renewal Power Sales Agreement does not contain a “Hell or High Water” clause that imposes a “dry hole” risk on the City. The Renewal Power Sales Agreement provides for the purchase of electric power that Bonneville “makes available” to the City from the 225 existing and operating generating units that comprise the Federal Power System. Since 1963, Bonneville has delivered a reliable and continuous power supply to the City, and there is no realistic possibility that the City will not receive power under the Renewal Power Sales Agreement.

35. In 2001, the City filed a petition in this Court for judicial confirmation that the obligations of the City under the 2001 Contract constitute “ordinary and necessary expenses” within the meaning of Art. VIII, § 3 of the Idaho Constitution. This Court found and determined that such obligations constitute “ordinary and necessary expenses” and as such the 2001 Power Sales Agreement is a legal, valid and binding obligation of the City, enforceable in accordance with its terms.

36. In 2006, the Idaho Supreme Court held in *City of Boise v. Frazier*, 143 Idaho 1, 137 P.3d 388 (2006), that a long-term lease obligation incurred by the City of Boise to finance the construction of a five-story parking garage for the Boise airport was not an “ordinary and necessary expense” under Art. VIII, § 3, because there was no necessity for making the

expenditure during the current year. Quoting *Dunbar v. Board of County Commissioners of Canyon County*, the Court in *Frazier* held that

in order for an expense to qualify as necessary under the proviso clause “there must exist a necessity for *making the expenditure at or during such year.*” The meaning of “necessary” in the proviso clause takes on added clarity under the *Dunbar* test because expenditures qualify as “necessary” only if they are truly urgent. . . We observe that the expenditures contemplated by the delegates [to the Idaho Constitutional Convention] involved immediate or emergency expenses, such as those involving public safety, or expenses the government entity in question was legally obligated to perform promptly.

143 Idaho at 4 (emphasis in original; citations omitted).

37. The *Frazier* and *Asson* cases both involved local governments incurring long-term contractual liabilities to finance the cost of construction of a new capital project. In both cases, the payment obligations of the local governments were absolute and unconditional, and the payments made by the local governments would be used to service the debt incurred to finance construction costs. In both cases, the local governments were obligated to pay the debt service costs of a new capital project as directly as they would have been if they had issued bonds themselves.

38. In contrast to the agreements at issue in the *Asson* and *Frazier* cases, the Renewal Power Sales Agreement does not entail the construction of a new capital project and does not expose the City to open-ended financial and construction risks. The Renewal Power Sales Agreement is a service contract for the purchase of electric power, under which the City will make monthly payments for the power previously made available to it by Bonneville. Bonneville is an established power supplier with a long history of operations and control over the

225 generating units comprising the Federal Power System. While the amount of power received by the City under the Slice product may fluctuate due to stream flow variations, outages at individual generating units and other factors affecting the operations of any generating system, there is no realistic possibility the City will not receive power from Bonneville under the Renewal Power Sales Agreement.

39. The drafters of the Idaho Constitution adopted Art. VIII, § 3 as a means to prohibit local governments from entering into speculative and dubious financing schemes which placed onerous burdens upon the taxpayers without affording them a right to vote upon the proposed debt. Such financing schemes are the kinds present in *Asson* and *Frazier*. However, the drafters were practical people with experience in local government. The drafters recognized that, in the regular course of providing governmental services and in protecting the public health, safety and welfare, local governments would incur obligations that constituted indebtednesses or liabilities within the broad scope of Art. VIII, § 3. The drafters further recognized that such obligations were normal and essential to the operation of good government, and that it was impractical to submit such obligations to a public vote. Accordingly, they adopted the “ordinary and necessary expenses” exception to the requirements of Art. VIII, § 3, for the express purpose of allowing local governments to incur such obligations without a public vote. For the purposes of such exception, as described in *Asson*, the term “ordinary” was intended to mean “regular; usual; normal; common; often recurring ... not characterized by peculiar or unusual circumstances. The term “necessary” was intended to mean essential to the ability of local governments to fulfill core governmental functions.

40. For a city that owns a municipal electric utility, power purchases are regular, ordinary, usual, recurring, essential and necessary expenses of operation. Under Section 16.2 of the Renewal Power Sales Agreement, Bonneville “shall bill Idaho Falls monthly for all products and services provided during the preceding month(s).” As with any other service contract, the City will make payments in arrears for power supply and related services provided by Bonneville. Further, such power supply and related services are essential to the ability of the City to fulfill one of its core governmental functions and obligations of providing reliable and economic electric utility service to the customers of its System.

41. Within the meaning of Art. VIII, § 3 of the Idaho Constitution, the obligations of the City to purchase and pay for power under the Renewal Power Sales Agreement are “ordinary and necessary expenses authorized by the general laws of the State.”

## **VI. THE CREDITWORTHINESS AGREEMENT**

42. The Creditworthiness Agreement is a collateral and security agreement of a type commonly required in wholesale power purchase and sales transactions. Under the Creditworthiness Agreement, Bonneville may require the City to post collateral in the form of cash or a letter of credit issued by a bank to secure its payment obligations under the Renewal Power Sales Agreement in the event that the credit rating of Idaho Falls Power falls below “investment grade” or is at the lowest investment grade rating with a negative outlook.

43. Section 50-342(b), Idaho Code, as amended, authorizes cities to enter into power purchase contracts “upon such terms and conditions as shall be specified in the ... contract.” The Creditworthiness Agreement is one of the “terms and conditions” of the Renewal Power



Sales Agreement. The Creditworthiness Agreement is specifically required by Bonneville as a condition to the Renewal Power Sales Agreement and serves solely to provide security for the City's payment obligations thereunder. But for the requirements of the Renewal Power Sales Agreement, there is no reason for the Creditworthiness Agreement. Accordingly, the City has express authority to enter into the Creditworthiness Agreement as one of the "terms and conditions" of the Renewal Power Sales Agreement.

44. If collateral were required to be posted, Bonneville could draw on the cash or the letter of credit and Idaho Falls Power would then be obligated to replenish the withdrawn cash or to reimburse the bank for the amount drawn under the letter of credit. The obligations of Idaho Falls Power to post collateral and to replenish any drawings on the collateral would not constitute a separate "indebtedness or liability" within the meaning of Art. VIII, § 3. The amounts payable by the City under such circumstances would be considered a continuation of the City's original obligations under the Renewal Power Sales Agreement. Because the City's obligations under the Renewal Power Sales Agreement constitute "ordinary and necessary expenses" within the meaning of Art. VIII, § 3, then any amounts posted or paid by the City under the Creditworthiness Agreement, whether as a posting of cash or a replenishment or reimbursement of amounts drawn, must also constitute "ordinary and necessary expenses" for the reason that no new obligation of the City is created, there is merely a change in form of the original obligation which itself is an "ordinary and necessary expense".

45. Collateral agreements like the Creditworthiness Agreement are customary in the wholesale power market to protect sellers and buyers of power from the risk of nonpayment or nonperformance by their contractual counterparties. Pursuant to the standards and procedures set

forth in its own Risk Management Policy, Idaho Falls Power is required to consider use of collateral agreements in connection with its power purchase and sales transactions.

46. The amount of collateral that the City could be required to post under the Creditworthiness Agreement is 12% of its maximum annual power bill to Bonneville. At the present time, this amount would be approximately \$2.5 million. Idaho Falls Power presently maintains its Rate Stabilization Fund with a minimum balance of \$20 million, and in evaluating the sufficiency of this minimum balance Idaho Falls Power and the City Council consider the contingency that it could be required to post collateral under the Creditworthiness Agreement.

47. Idaho Falls Power presently holds a credit rating well above the minimum designated in the Creditworthiness Agreement, and as such, the City has no reasonable expectation that it will ever be required to post collateral under the Creditworthiness Agreement. In the unlikely event that this did occur, the City fully expects to have on hand funds sufficient to post the required collateral.

WHEREFORE, for the reasons set forth herein and in the Brief in Support of this Petition filed herewith, the City prays that this Court enter an order or orders declaring and adjudging as follows:

1. This action is properly one for adjudication by means of judicial confirmation under the Judicial Confirmation Law, and this action should be set for hearing and determination at the earliest practicable time;

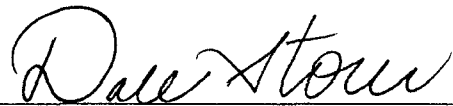
2. The Renewal Power Sales Agreement is authorized by the general laws of the State of Idaho, particularly Sections 50-325 and 50-342, Idaho Code, as amended, and that the

payment obligations of the City thereunder constitute “ordinary and necessary expenses” of the City within the meaning of Art. VIII, § 3 of the Idaho Constitution;

3. The Renewal Power Sales Agreement and the Creditworthiness Agreement constitute the legal, valid and binding obligations of the City and are enforceable in accordance with their respective terms, all in compliance with the Constitution and laws of the State of Idaho; and

4. Such other relief as the Court deems just and appropriate.

Respectfully submitted,



Dale W. Storer  
Attorney for Petitioner



Daniel C. Dansie  
Attorney for Petitioner

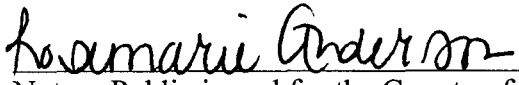
VERIFICATION

The undersigned being first duly sworn states that he has read the facts as they are set forth in the foregoing Petition for Judicial Confirmation and that such facts are true and correct to the best of his knowledge and belief.



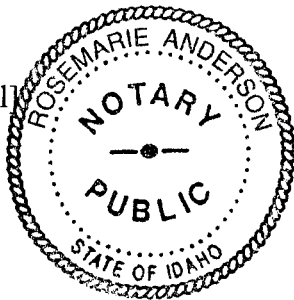
Jared Puhfiman, in his official capacity as  
Mayor of Idaho Falls

Subscribed and sworn to before me this 13th day of March, 2009.



Notary Public in and for the County of  
Bonneville, State of Idaho

[Seal]



**EXHIBIT A**

[November 25, 2008 Minutes and Resolution of City Council]

City of Idaho Falls

November 25, 2008

The City Council (the "*Council*") of the City of Idaho Falls, Bonneville County, Idaho (the "*City*"), pursuant to due notice met in special public session on November 25, 2008, at the hour of 7:30 p.m., at its regular meeting place at the City Annex Building at 680 Park Avenue in the City of Idaho Falls, Idaho. The meeting was duly called to order by the Mayor with the following members of the Council being present, constituting a quorum of the Council:

	NAME	TITLE
	Jared D. Fuhriman	Mayor
	Karen Cornwell	Councilmember
	Ida Hardcastle	Councilmember
	Thomas Hally	Councilmember
	Michael Lehto	Councilmember
	Ken Taylor	Councilmember
Absent:	Sharon D. Parry	

Also Present:

	NAME	TITLE
	Rosemarie Anderson	City Clerk
	Dale Storer	City Attorney
	Jackie Flowers	General Manager, Idaho Falls Power
	Jo Elg	Assistant General Manager, Idaho Falls Power

After the minutes of the preceding meeting had been read and approved, the City Clerk presented to the Council an affidavit evidencing the giving of public notice of the agenda, date, time and place of the November 25, 2008, special public meeting of the Council in compliance with the requirements of applicable Idaho law. The affidavit was ordered recorded in the minutes of the meeting and is as follows:

STATE OF IDAHO )  
 )  
COUNTY OF BONNEVILLE )

I, the undersigned, the duly qualified and acting City Clerk of City of Idaho Falls, Bonneville County, Idaho (the "City"), do hereby certify, according to the records of the City in my official possession, and upon my own knowledge and belief, that in accordance with the requirements of Section 67-2343, Idaho Code, as amended, I gave public notice of the agenda (including the name of the City), date, time and place of the November 25, 2008, special public meeting held by the Council of the City, by:

(a) causing a notice of the regular meeting schedule of the Council for calendar year 2008 to be posted in a prominent place at the principal office of the City; said notice having continuously remained so posted and available for public inspection during the regular office hours of the Council until the convening of the meeting;


(b) causing a copy of the agenda for the November 25, 2008, special public meeting of the Council, in the form attached hereto as *Exhibit A*, to be posted in a prominent place at the principal office of the City at least 48 hours before the convening of the meeting; and

(c) providing advance notification of the time and place of the November 25, 2008 special public meeting of the Council to each news media which has requested notification of meetings.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of the City, this 25th day of November, 2008.



[SEAL]

  
\_\_\_\_\_  
City Clerk  
City of Idaho Falls,  
Bonneville County, Idaho



**EXHIBIT A**  
[Attach Agenda for November 25, 2008 Public Meeting]

**CITY OF IDAHO FALLS, IDAHO**

**COUNCIL MEETING AGENDA  
REGULAR MEETING  
COUNCIL CHAMBERS, 680 PARK AVENUE  
NOVEMBER 25, 2008  
7:30 P.M.**

**MAYOR**

Call to order.

Roll call.

**CONSENT AGENDA**

Items from the City Clerk:

Minutes from the November 12, 2008 Council Work Session, the November 13, 2008 Regular Council Meeting, and the November 20, 2008 Council Work Session;

Approval of **License** Applications, including BEER LICENSES to A & R Food and Beverage Company LLC/Hilton Garden Inn, A Little Bit of Mexico, Alexandra's Musica Latina, Bargain Brew and Smokes, Blue Hashi, Boozer Quick Stop, Buck's, Carniceria Garcias Inc., Casa Jalisco's Inc., Charlotte's Webb, Chili's, Diamond Concessions, Eagle's Lodge, First Street Saloon, Garcia's Meat Market, Gas 'N Grub, Happy Chinese Restaurant, Holiday Oil, Holmes Speedi Mart, Iggy's Idaho Falls Inc., Iron Mule Saloon LLC, Jakers of Idaho Falls, Jaliscos, K C's Food Mart/J S C Enterprises, La Hidalguense, La Union Market, Las Pulgas Cantina and Dance Hall Inc. (Transfer Only), Maverik Country Store (Broadway) No. 239, Maverik Country Store (Woodruff Avenue) No. 396, Midget Market, Morenitas Inc., Olive Garden Italian Restaurant No. 1705, Pachangas Mexican Food, Pockets Inc., Puerto Vallarta, Puerto Vallarta No. 3, Puerto Vallarta Inc. Al Di, R & R Bar, Rutabaga's, Sam's Club No. 6345, Seventeenth Street Gas and Wash, Short Stop Market and Laundry, Skyline Lanes, Speedi Corp Inc./Speedi-Mart, T.L.C. Pizza/Godfather's, The Zone, Tobacco Connection, Wal-Mart Super Center No. 5494, Winco Foods No. 42, and Winger's, all carrying the required approvals; and,

Request for Council ratification for the publication of legal notices calling for public hearings on November 25, 2008.

**REGULAR AGENDA**

**MAYOR**

Presentation and Award of Grants for the Arts.

Recognition of citizens from the floor.

**COUNCIL MEETING AGENDA  
REGULAR MEETING  
NOVEMBER 25, 2008  
Page 2**

**DIVISION DIRECTORS**

Memos from the Idaho Falls Power Director:

UAMPS Joint and Cooperative Action Agreement; and,

Resolution to Authorize the Execution of a Renewal Power Sales Agreement and a Creditworthiness Agreement with Bonneville Power Administration, the Commencement of a Judicial Confirmation Proceeding with Respect to such Agreements.

Memo from the Municipal Services Director:

Request to Contract Additional Crane Rental with Operator.

Memos from the Parks and Recreation Director:

Commercial Watercraft Concession Agreement;

Change Order No. 1 to the Pancheri to South Tourist Park Pathway Project; and,

2009 Proposed Golf Fee Increases.

Memos from the Public Works Director:

Access Easement Vacation – Solstice Subdivision, Division No. 1;

Easement Vacation – Lot 1, Block 2, Lakewood Aspens Addition; and,

Right-of-Way Vacation – 20<sup>th</sup> Street, Brodbeck's Addition.

**MAYOR**

Annexation Proceedings (Desert Rose Addition, Division No. 1):

Memo from the Planning and Building Director;

Annexation Agreement;

Annexation Ordinance;

Conducting of a public hearing to consider the initial zoning of the newly annexed area (Desert Rose Addition, Division No. 1) (Requested R-1 (Single-Family Residential) Zoning) (said hearing to be held only if said property is annexed); and,

Final Plat.

Introduction of City Attorney:

Presentation of legal matters and/or documents requiring Council consideration.

Adjournment.

*If you need communication aids or services or other physical accommodations to participate or access this meeting or program of the City of Idaho Falls, you may contact City Clerk Rosemarie Anderson at Telephone Number 612-8414 or the ADA Coordinator Mr. J. P. Blickenstaff at Telephone Number 612-8323 as soon as possible and they will make every effort to adequately meet your needs.*

In accordance with the requirements of Section 67-2344, Idaho Code, as amended, written minutes of this meeting are being kept.

After the conduct of other business not pertinent to the following, it was announced that the time had come to consider the approval and authorization of the renewal Power Sales Agreement (the "*Renewal PSA*") between the City and the Bonneville Power Administration ("*BPA*"). The Consulting Engineer's Report of Mooney Consulting regarding the Renewal PSA was presented to the Council. The Consulting Engineer's Report was accepted by the Council and ordered to be placed in the official records of the City and is as follows:

[Attach Consulting Engineer's Report of Mooney Consulting]

November 25, 2008

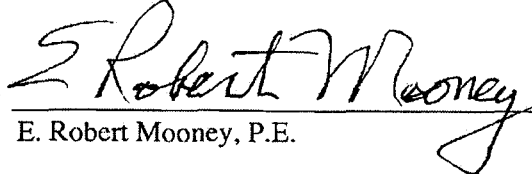
Mayor and City Council  
City of Idaho Falls  
308 Constitution Way  
Idaho Falls, Idaho 83402

Mooney Consulting has been retained by the City of Idaho Falls (the "City") to provide engineering and consulting services in connection with the City's evaluation of the various wholesale power supply options presently being offered by the Bonneville Power Administration ("Bonneville" or "BPA") to the City and BPA's other preference customers.

The power supply purchased from Bonneville will be used by the City's Electric Division (known as "Idaho Falls Power" or "IFP"), to meet a portion of the electric requirements of the business and residential customers that are served by the City's municipal electric system (the "System"). Since 1963, the City has purchased the majority of its power supply from BPA. In 2001, the City entered into a Block and Slice Power Sales Agreement with BPA that extends to September 30, 2011. BPA is now offering to enter into a new power sales agreement with the City for power deliveries beginning upon the expiration of the City's existing contract and extending for 17 years to 2028.

This Report provides a general overview of IFP, the System and BPA, and an analysis of the power supply options now being offered to the City by BPA. In addition, this Report discusses power supply options that may be available to IFP from other wholesale power suppliers. As discussed below, we recommend that (1) the City purchase the "Slice/Block" product being offered by BPA and (2) the City enter into arrangements to secure supplemental power supply resources necessary for the optimal utilization of the Slice/Block product and to meet the power supply requirements of the System that exceed the power supplies available from BPA and the City's other existing resources.

MOONEY CONSULTING

By   
E. Robert Mooney, P.E.



MOONEY CONSULTING

P.O. BOX 5106  
BOISE ID 83707

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### CERTAIN TERMS USED IN THIS REPORT

Various terms commonly used in the electric industry are used throughout this Report:

“Kilowatt” (kW) and “Megawatt” (MW) are units of electrical power and are used to measure the generating capacity of a power plant, as well as power consumption of a device that runs on electricity. Ten 100-watt light bulbs have a total power consumption of 1 kW. 1,000 kW equals 1 MW.

The term “average MegaWatts” (aMW) is a measurement of the amount of electric energy that can be produced over a one-year period by a hydroelectric generating unit (or system) under certain stream flow conditions. The actual annual energy production of hydroelectric generating units is dependent on stream flows and varies with annual precipitation and by season. Average and low (or “critical”) stream flows are most typically used to determine aMW.

“Kilowatt-hour” (kWh) and “Megawatt-hour” (MWh) are units of electrical energy and are used to measure the electric output of a power plant as well as the energy used by a device that runs on electricity. Ten 100-watt light bulbs burning for one hour will consume 1 kWh of energy. 1,000 kWh equals 1 MWh.

Electric energy sold at retail is priced in cents per kilowatt-hour (¢/kWh). For example, a residential consumer that pays 5¢/kWh for electricity and consumes 1,000 kWh of electric energy each month will have a monthly power bill of \$50.00.

Electric energy sold at wholesale is priced in dollars per Megawatt-hour (\$/MWh). An energy price of \$50/MWh is the same as 5¢/kWh.



## EXECUTIVE SUMMARY

### IDAHO FALLS POWER

The City has owned and operated the System since 1900. The City:

- Owns and operates two hydroelectric generating projects on the Snake River, the three-unit Bulb Turbine Project and the Gem State Project.
- Purchases most of its power supply from Bonneville, with supplemental power supplies acquired through the wholesale power markets.
- Has established a Mission Statement and a Risk Management Policy that govern the operations of IFP.
- Maintains a Rate Stabilization Fund that is used to manage the variability inherent in hydroelectric production, to mitigate IFP's limited exposure to volatility and uncertainties in the wholesale power markets, and to provide reserves for future capital improvements to the System.

The System operates with a high degree of reliability and the electric rates paid by the customers served by IFP are among those lowest in the United States.

### BONNEVILLE

The City presently purchases most of the System's power supply requirements from Bonneville under a ten-year Block and Slice Power Sales Agreement entered into in 2001 (the "2001 PSA"). BPA has offered to enter into renewal Power Sales Agreements with the City and its other Preference Customers for power deliveries commencing October 1, 2011 and extending for 17 years (the "2011 PSAs").

Under the 2011 PSAs, BPA will allocate to its Preference Customers all of the net firm generating output of the federal Power System in the Pacific Northwest. Allocations to individual Preference Customers (including the City) and the rates payable by the Customers will be determined under Bonneville's proposed Tiered Rate Methodology (or "TRM"). Allocations will be based upon individual customers' net power supply requirements, the forecast generation of the Power System and other factors. The allocations, referred to as "High Water Marks," are subject to adjustment during the term of the 2011 PSAs.

Bonneville has proposed its Tiered Rate Methodology to the Federal Energy Regulatory Commission for approval for the entire term of the 2011 PSAs (to 2028). In general, the "Tier 1" rate will apply to all power purchased by a Preference Customer up to its High Water Mark allocation and is intended to recover the costs of the federal Power System. The "Tier 2" rate will apply to a Preference Customer's purchases above its High Water Mark and is intended to

recover BPA's costs of obtaining additional power supplies at market-based prices. The Tier 1 rate is expected to be less than \$35 per MWh with the Tier 2 rate expected to be \$50 to \$80 per MWh in 2012.

For the City and a number of other Preference Customers, the High Water Mark allocations will not meet all of their power supply requirements. Under the 2011 PSAs, Preference Customers can elect to have all or part of their supplemental power supply requirements met by BPA at the Tier 2 rate or can procure all or part of the resources necessary to meet their supplemental power supply requirements.

Under the 2011 PSAs, the City can elect to purchase one of three separate power supply products offered by BPA: Load-Following, Block and Slice/Block. The City presently purchases the Slice/Block product under the 2001 PSA and it is recommended that the City continue to purchase the Slice/Block product under the 2011 PSA.

#### ALTERNATIVE POWER SUPPLY RESOURCES

Mooney Consulting has evaluated whether the City should use other power supply resources instead of entering into the 2011 PSA with Bonneville. The alternative power supply resources now available include the construction of new generating units (either alone or through participation agreements with other utilities), medium-term power purchase agreements and short-term market purchases. None of these alternatives, either individually or in combination, offers the City the combination of benefits it realizes from BPA:

- Below-market rates;
- Stability in rates as compared to market-based alternatives;
- High degree of reliability; and
- Avoidance of construction risks, with minimal counterparty and other risks.

In reality, the City has no meaningful alternative to the 2011 PSA. If the City were unable for any reason to enter into the 2011 PSA, its power supply costs would increase substantially and would be subject to significant volatility, the reliability of IFP's power supply resources would diminish significantly, and the customers served by IFP would be required to pay substantially higher rates and would be subject to significant price volatility and other wholesale market risks.

Accordingly, the decision for the City is not whether to enter into the 2011 PSA, but which BPA power supply product (Load-Following, Block or Slice/Block) to select and what actions to take to best manage and maximize the benefits of the selected power supply product. The Tier 1 rates for all power supply products reflect the embedded costs of the federal Power System, so the choice of power supply product is based less on price and more on operational considerations.

## CONCLUSIONS AND RECOMMENDATIONS

Based on the information and analysis presented in this Report, Mooney Consulting is of the opinion that:

- The continued purchase of the Slice/Block Product is the most favorable for Idaho Falls Power, considering both the benefits and potential risks.
- Idaho Falls Power has the management expertise, organization structure and industry relationships necessary to effectively manage and maximize the benefits of the Slice/Block Product.
- The Slice Product has costs and risks relating to water variability and other factors. These costs and risks can be managed through the Rate Stabilization Fund and mitigated through participation in thermal power supply resources and prudent market purchases pursuant to the Risk Management Policy.
- If available, seasonal exchanges using the Slice product can be valuable in more closely matching IFP's power supply resources to its System loads.

Based on the findings and conclusions above, Mooney Consulting recommends that IFP:

- Subscribe to the maximum amount of the Slice/Block permitted by BPA for the term of the 2011 PSA.
- Seek to establish relationships with one or more entities for seasonal exchanges of surplus output of the Slice product when advantageous to better match IFP's System loads.
- Consider acquiring or constructing a cost-based thermal generating resource as a supplement to the Slice/Block product to partly manage market volatility and energy shortfalls associated with Critical Water conditions, and to provide additional power supply resources for load growth. Participation with other similarly-situated utilities in new projects should be considered to achieve economies of scale and spread construction and operating risks.
- Enter into power purchase arrangements consistent with the Risk Management Policy to supplement the power supply available from BPA and to meet load variability and growth.
- Maintain sufficient moneys in the Rate Stabilization Fund to manage the inherent variability of hydroelectric generation, to manage IFP's exposure (expected to be limited) to market-based power supplies, and to provide reserves for planned capital improvements to the System, future resource acquisitions and prudent management of IFP.

## OVERVIEW OF IDAHO FALLS POWER AND THE SYSTEM

### GENERAL

The City has operated a municipal electric utility system since 1900 and now serves approximately 25,700 residential, commercial, industrial and other customers. For the most recent year of operations (the fiscal year of the System ended September 30, 2008), the customers served by the System had a total peak capacity requirement of 153 MW, representing an annual energy requirement of 86.6 aMW. The total energy requirements of the customers served by the System in fiscal 2008 were approximately 748,000 MWh. The System's energy requirements have increased at an average annual rate of approximately 1.9% over the past ten years.

See "POWER SUPPLY REQUIREMENTS AND RESOURCES" below for data on the System's historic and projected energy requirements and power supplies.

### SYSTEM COMPONENTS

The major components of the System include:

- The three-unit Bulb Turbine Project and the Gem State Project located on the Snake River with a total nameplate generating capacity of approximately 50 MW, representing 32 aMW of energy in an average water year and 21.5 aMW of energy in a critical water year. The combined generation of these two Projects is equal to approximately one-third of the System's average energy requirements.
- Approximately 37 miles of 44 kV and 161 kV transmission lines and 443 miles of distribution lines with voltages ranging from 2.4 kV to 12.5 kV.
- Interconnection facilities with the transmission network owned by Rocky Mountain Power, as well as 15 distribution substations with an additional substation to be energized in 2009.
- All other facilities necessary for the operation, maintenance, repair, replacement and management of the System.

Management of Idaho Falls Power reports that the major components of the System are in good operating condition and are being maintained in accordance with prudent utility practice.

Idaho Falls Power maintains a five-year forward plan for capital additions, replacements and upgrades to the System. Capital improvement costs are presently funded out of System revenues and reserves (the City last issued bonds to finance System improvements--the Gem State Project--in 1985). The capital improvement costs shown in the five-year plan are taken

into account in IFP's annual evaluations of System rates and funding targets for the Rate Stabilization Fund.

#### BULB TURBINE PROJECT

The Bulb Turbine Project was completed in 1982 and consists of three low-head bulb turbine hydroelectric generating facilities (the Upper, City and Lower Plants) with a total nameplate generating capacity of 27 MW. All of the electricity produced by the Bulb Turbine Project has been sold to Bonneville, initially under "net billing" arrangements and presently under a power sales contract that extends to September 30, 2011. Under the current power sales contract, energy is sold to BPA based on current wholesale market prices at the mid-Columbia pricing point, subject to a floor price of \$29/MWh and a ceiling price of \$39/MWh. During the term of the current power sales contract, the average price BPA pays IFP for Bulb Turbine Project output has exceeded the average price IFP pays BPA for power supply under the 2001 PSA, and the positive margins realized by IFP result in a net reduction in its purchased power expense.

Idaho Falls Power presently intends to negotiate with BPA for the sale of Bulb Turbine Project output to BPA after the expiration of the existing power sales contract. It is expected that any renewal power sales contract will have a term of five years or less, which will enable IFP to use the output of the Bulb Turbine Project in later years to meet growth in System loads.

See "GENERATION DATA" below for a table showing the generation output of the Bulb Turbine Project for the last ten years.

#### GEM STATE PROJECT

The Gem State Project is a 23.4 MW hydroelectric generating facility on the Snake River about 5 miles southwest of the City. The Gem State Project was constructed on land leased from Utah Power & Light Company (now doing business as "Rocky Mountain Power"). In consideration for the lease, the City entered into a power sales contract with Rocky Mountain Power to sell at cost up to 39% and not less than 25% of the annual output of the Gem State Project. Under the power sales contract, which extends to 2023, the City agreed to make power from the Gem State Project available during the summer months. As a result, Idaho Falls Power typically receives output from the Gem State Project from September through April and sells all of the output of the Project from May through August to Rocky Mountain Power.

See "GENERATION DATA" below for a table showing the generation output of the Gem State Project for the last ten years.

#### GENERATION DATA

The following table shows the generating output of the Bulb Turbine Project and the Gem State Project for the last ten years of operations. Both the Bulb Turbine Project and the Gem State Project are "run of river" hydroelectric projects (*i.e.*, neither Project impounds a water

storage reservoir) and the output of these Projects varies with stream flows on the Snake River. The generating output for the Gem State Project shown below includes all of the actual output of the Project and has not been reduced to reflect the sale of 39% of the Project's output to Rocky Mountain Power.

YEAR ENDING SEPTEMBER 30,	BULB TURBINES (MWh)	GEM STATE (MWh)	TOTAL SYSTEM GENERATION (MWh)	GENERATION TO SYSTEM LOAD (MWh)
1999	172,898	161,944	334,842	98,786
2000	140,125	144,047	284,172	87,869
2001	46,815	92,456	139,271	56,398
2002	111,360	93,315	204,675	56,922
2003	114,349	102,260	216,609	62,379
2004	112,637	99,606	212,243	60,760
2005	122,818	98,628	221,446	60,163
2006	142,678	121,936	264,614	74,381
2007	142,809	117,779	260,588	71,845
2008	117,440	116,110	233,550	70,827

The output of the Bulb Turbine Project dropped significantly in 2001 due to a mechanical failure at the City Plant and the discovery of an identical issue at the Lower Plant which required substantial repairs and replacements to both units. The mechanical failure and subsequent repair work resulted in these two units being off-line for significant periods of time. Available reserves of IFP were utilized to offset lost revenues until the receipt of payments under IFP's business interruption insurance.

#### SYSTEM LOADS

The following table shows the total energy requirements of the customers served by the System for the last ten fiscal years of operation:

YEAR ENDING SEPTEMBER 30,	TOTAL SYSTEM REQUIREMENTS (MWh)
1999	646,120
2000	637,498
2001	665,217
2002	657,311
2003	645,179
2004	651,876
2005	684,075
2006	716,463
2007	727,610
2008	748,102

Peak demands on the System occur during the winter months due to a large number of residential customers that use electricity for home heating, other customers whose electricity requirements are temperature-sensitive and other seasonal loads. Demands on the System are lowest in the Spring and Fall seasons and peak demands in the Summer season have increased in recent years due to air conditioning loads.

Management reports that consistent and steady growth has occurred in IFP's residential and commercial customer base and in customer energy usage over the ten-year period shown above and that the year-to-year variations in demand largely reflect annual degree day counts and the effect of IFP's on-going conservations efforts (discussed below). Management projects a 1.5% annual growth rate in the System's energy requirements in future years. Mooney Consulting believes this growth rate is reasonable and has adopted it for the purposes of this Report.

#### ENERGY EFFICIENCY AND RENEWABLE RESOURCES

For more than 25 years, Idaho Falls Power has sponsored efficiency programs for its customers. IFP estimates that these programs have resulted in annual energy savings of over 1,000,000 kWh (1,000 MWh). Currently, IFP is working with a number of its commercial customers to participate in a BPA-sponsored program that provides rebates for the cost of modern energy efficient lighting. IFP has recently identified new energy efficiency programs that are currently under investigation and have the potential to increase annual energy savings to 5,000,000 kWh. IFP intends to implement additional efficiency programs that are cost effective in order to reduce the supplemental power supply resources that are needed to meet increases in System loads. Conservation and efficiency programs benefit IFP by reducing the overall energy requirements of the System as well as the peak demand on the System (which occurred in 1996).

Idaho Falls Power has pursued various renewable energy resources and is currently participating in the investigation of a wind project proposed to be located near the City. IFP may elect to purchase up to 2 MW of power from this project, which would be used to supplement IFP's other power supply resources. There are no greenhouse gas emissions produced by the generation of electricity at City's Bulb Turbine and Gem State Projects. The power purchased by IFP from Bonneville is mostly generated at hydroelectric and nuclear plants that have little or no greenhouse gas emissions. Nonetheless, IFP is supportive of the development of additional renewable energy resources and intends to acquire additional resources that are cost-effective and complement IFP's existing power supply portfolio.

#### BONNEVILLE POWER ADMINISTRATION

Since 1963, Idaho Falls Power has purchased most of its net energy requirements from BPA. For its most recent year of operations (the twelve months ending September 30, 2008), IFP purchased approximately 90% of the System's total power supply requirements from BPA as a Slice/Block customer under the 2001 PSA.

Under the 2011 PSA, IFP purchases BPA's Block power supply product and Slice power supply product. IFP presently purchases 29.7 aMW (260,172 MWh) of the Block product each

year. As required by the 2001 PSA, IFP purchases the Block product in amounts that are equal for each day within a month and that vary by month to correspond to the seasonal variations in the System's loads. The monthly quantities presently range from a low of 24 MW/hour in September to a high of 39 MW/hour in December. The average rate payable by IFP for the Block product for the year ended September 30, 2007 was \$23.95/MWh.

The Slice power supply product is purchased as a percentage of the generation output of the federal Power System. Consequently, the amount of power received by IFP from the Slice product varies with the actual generating output of the federal Power System. While seasonal variations in the output of the federal Power System generally corresponds to the seasonal variations in the loads on IFP's System, there are months in each year when IFP does not receive sufficient power from BPA to meet all of its System loads. Correspondingly, there are certain months in the year when IFP receives power from BPA that is surplus to its System loads. IFP enters into power purchase and sale transactions to match its power supplies with its System loads.

Under the 2001 PSA, IFP presently purchases 0.6931% of the output of the federal Power System and pays approximately \$1,300,000 each month for its percentage share of the output. Because the amount of power received by IFP under the Slice product varies with the actual generation of the federal power system, the effective price paid by IFP varies from year to year. For the year ended September 30, 2007, IFP paid an effective rate \$27.45/MWh for all energy received under the Slice product.

The following table shows the amounts of energy purchased by the City from BPA under the 2001 PSA in each operating year:

YEAR ENDING SEPTEMBER 30,	BLOCK ENERGY (MWh)	SLICE ENERGY (MWh)	TOTAL ENERGY (MWh)	TOTAL ENERGY TO LOAD (MWh)
2002	142,970	533,003	675,973	561,356
2003	206,520	508,529	715,049	589,787
2004	207,192	514,541	721,733	567,454
2005	206,520	515,187	721,707	631,024
2006	206,520	595,332	801,852	632,456
2007	216,519	547,479	807,998	358,316
2008	261,359	532,632	793,991	678,781



## SYSTEM RATES

The following table shows the average rates charged by Idaho Falls Power to its residential, industrial and commercial customers since 1996:

EFFECTIVE DATE	RESIDENTIAL (¢/kWh)	COMMERCIAL (¢/kWh)	INDUSTRIAL (¢/kWh)
November 1, 1996	3.90	3.65	2.75
August 1, 2001	4.47	4.50	3.50
October 1, 2002	6.36	5.94	4.55
March 1, 2005	6.00	5.55	4.23
June 1, 2006	5.75	5.00	3.85
April 1, 2007	5.50	4.60	3.50
June 1, 2008	5.35	4.25	3.50

The System operates on an entirely self-supporting basis, and the revenues from the rates shown above and other System revenues pay all costs of the System, including purchased power expenses (which account for approximately 70% of budgeted operating expenses for the current year), operation and maintenance costs, debt service expense and capital improvement costs and also provide funding for the Rate Stabilization Fund discussed below. System rates are reviewed annually by management of IFP and the City Council. IFP conducts regular cost of service studies to ensure that its rates for each customer class reflect accurately its actual cost of serving the customers in each class.

As shown above, the City (as well as most other utilities in the Pacific Northwest) was forced to implement significant rate increases in 2001 and 2002 to recover increased purchased power expense from BPA and other suppliers during the California/West Region energy crisis of 2000-2001 and ensuing rate increases by BPA. During this period, the balance in the System's Rate Stabilization Fund was largely depleted. The 2001 and 2002 rate increases enabled the System to operate on a self-supporting basis and to restore the balance in the Rate Stabilization Fund over time. Beginning in 2005, the City Council has approved four rate decreases that have reduced System rates by 16-23% (depending on customer class) from 2002 levels.

The electric rates presently charged by IFP are among the lowest of any utility in the United States. IFP has established itself as a provider of reliable electric service at low and stable rates. By so doing, it promotes economic development in the City and the public welfare. Its goal in contracting for new power supplies is to maintain and, if possible, improve its position as a leader in providing low-cost and reliable electric service.

## MANAGEMENT

Day-to-day management of Idaho Falls Power is the responsibility of the General Manager of IFP who supervises a staff of 64 employees. The General Manager of IFP reports to the Mayor and City Council of the City which sets policy and rates and exercises general supervision over IFP.

Recognizing that the challenges facing IFP as a result of Federal actions to deregulate wholesale energy transactions, the development of competitive energy markets and other factors, the City and IFP have established the Mission Statement, the Rate Stabilization Fund and the Risk Management Policy for IFP and IFP has pursued joint action with other public utilities, as discussed below.

#### MISSION STATEMENT

In March 1997, the City Council adopted a Mission Statement for Idaho Falls Power. The Mission Statement was amended and updated in 2007. The Mission Statement provides that IFP shall provide superior service to its customers by providing reliable high-quality power; providing competitive rates and offering programs and services to meet customers' needs and expectations. Operating principles adopted to accomplish the mission include:

- Aggressively pursuing the least cost, reliable power supply mix consistent with good business practices recognizing that IFP customers have supported a long-term approach to power supply acquisitions by making substantial investments in consumer-owned generating facilities; and
- Acknowledging that the efficient use of electrical energy is an important part of the power supply and pledging to encourage and promote cost-effective energy efficiency measures.

The other operating principles established by the City Council to further the objectives of the Mission Statement emphasize employee and customer safety, maintenance and upgrading of IFP's transmission and distribution system and fostering working relationships with city divisions, and maintaining relationships with key entities to achieve objectives and promote IFP as a community asset.

Idaho Falls Power has developed and implemented a strategic plan that identifies the key actions necessary to carry out the Mission Statement and its operating principles.

#### RATE STABILIZATION FUND

Recognizing the challenges that Idaho Falls Power would be facing as a result of changes in the electric industry, in December 1997 the City Council created a Rate Stabilization Fund within the City's electric enterprise fund. The Council found that the creation and operation of the Rate Stabilization Fund would better enable IFP to continue to provide safe, reliable and low-cost electric service to the consumers served by the System. The Rate Stabilization Fund is used, at the direction of the Council, to:

- provide reserves for future capital improvements to and renewals and replacements of System components;
- provide contingency funds for rate stabilization; and

- provide funds for future power supply purposes and risk management transactions.

The Rate Stabilization Fund was funded initially with existing reserves in the City's electric enterprise fund and reserves released upon bond retirements. Amounts withdrawn from the Rate Stabilization Fund are replenished from available System revenues after provision has been made for the payment of all other costs. Management of Idaho Falls Power and the City Council evaluate the adequacy of the Rate Stabilization Fund annually in light of actual operating and purchased power expenses, costs of future capital improvements and other factors. As of October 1, 2008, the balance on deposit in the Rate Stabilization Fund was \$28 million which includes amounts budgeted for planned capital improvements to the System.

#### RISK MANAGEMENT POLICY

The City Council has maintained a Risk Management Policy for Idaho Falls Power since 1999. The Risk Management Policy begins with the following statement:

The electric utility industry is presently in transition from a highly regulated industry to a deregulated industry. The development of competitive wholesale electric power markets presents both risks and benefits for municipally-owned electric utilities, such as the municipal electric utility system owned by the City . . . Such risks include, among other things, price volatility, reliability and counterparty performance in wholesale power markets. Such benefits include, in particular, the opportunity to reduce, and to ensure the continued stability of, the costs of purchased power and energy paid by the City.

The Policy recognizes the risks inherent in competitive wholesale power markets and sets policies, standards and procedures to be followed by IFP to manage and reduce the risks associated with wholesale power transactions in a deregulated market. The policies and standards include an absolute prohibition on speculative transactions, a matching of power supply resources and requirements, examination of alternatives and strict counterparty creditworthiness standards.

#### JOINT ACTION WITH OTHERS

The City is a member of Utah Associated Municipal Power Systems ("UAMPS"), a political subdivision of the State of Utah that provides wholesale electric services to over 50 public utility systems in eight Western states. The City joined UAMPS in order to achieve economies of scale in purchasing power supplies, transmission access to power markets outside of the Pacific Northwest and the use of UAMPS' power scheduling and dispatching office which operates 24 hours a day on a real-time basis. The power scheduling and dispatching services provided by UAMPS enable the City to purchase the Slice product from Bonneville and to maximize the benefits of the product.

## BONNEVILLE POWER ADMINISTRATION

The following paragraphs provide summary information regarding Bonneville, the principal power supplier to Idaho Falls Power. The descriptions presented below have been prepared based on information made available to the public by Bonneville.

### GENERAL

Bonneville was created by the federal Bonneville Project Act of 1937 to market power from the Bonneville Dam and to construct facilities for the transmission of this power. Subsequent legislation has designated Bonneville as the marketing agent for all of the federally-owned hydroelectric projects in the Pacific Northwest.

Under the Pacific Northwest Electric Power Planning and Conservation Act (the "*Northwest Power Act*"), Bonneville is:

- required to offer to sell power to municipal, public or cooperative utilities located in the Pacific Northwest ("*Preference Customers*") to meet the utility's firm power load in excess of the utility's own firm resources;
- required to offer to exchange power with Pacific Northwest investor-owned utilities for residential and farming uses, to establish rates for such power that are the same as the rates paid by Preference Customers, and require such utilities to pass the cost-benefits through to these customers (the "*Residential Exchange Program*"); and
- directed to meet its obligations to provide electric power through conservation to the extent that conservation is cost effective and, to the extent that conservation measures are insufficient to meet such obligations, to acquire cost effective electric power from renewable and other resources.

In acquiring additional power supply, Bonneville is precluded from owning or constructing any electric generating facilities.

Bonneville is headquartered in Portland, Oregon and is one of four regional power marketing agencies within the U.S. Department of Energy. For its fiscal year ended September 30, 2007, Bonneville had total operating revenues of \$3.27 billion and total operating expenses of \$2.57 billion. Bonneville presently has approximately 2,900 employees.

### POWER SYSTEM

Bonneville markets power from 31 federal hydroelectric projects and several non-federal hydroelectric and thermal projects in the Pacific Northwest, as well as firm power from various transfer, exchange and purchase contracts (the "*Power System*"). The federal hydroelectric projects are located in the Columbia River basin and include Grand Coulee, Chief Joseph, John Day, The Dalles, Bonneville and McNary Dams (among others). The federal projects are

operated by the Bureau of Reclamation and the Army Corps of Engineers. The non-federal resources include the Columbia Generating Station, an operating nuclear generating station with a rated capacity of 1,157 MW, and the City's Bulb Turbine Project. Most of the generating projects that comprise the Power System are multi-unit projects, with the result that 225 individual generating units are included in the Power System. For its current operating year (2008), Bonneville estimates that 80.7% of its firm energy will come from hydroelectric projects, 12.0% from the Columbia Generating Station and 7.3% from firm contractual purchases and other resources.

The rated (nameplate) capacity of the 31 federal hydroelectric projects is 20,460 MW. The actual total power output available from all of these projects at any time is less than their combined rated capacity, and depends on stream flows in the Columbia River Basin, which vary from year to year and seasonally within each year. For planning and other purposes, Bonneville uses historic low water conditions (known as "*Critical Water*") to project the firm output of the hydroelectric projects. For its current operating year and under Critical Water conditions, Bonneville reports that the Power System has an expected peak (one hour) generating capacity of 13,934 MW and an aggregate energy output of approximately 8,600 aMW. Under median water conditions, Bonneville estimates that the energy output of the Power System in the current year would be approximately 10,820 aMW. In most years, the Power System generates approximately 35% of the electricity consumed in the Pacific Northwest.

#### TRANSMISSION SYSTEM

Bonneville owns and operates a high voltage transmission system (the "*Transmission System*" and, together with the Power System, the "*Federal System*") that delivers power from the Power System to Bonneville's customers and that also provides transmission capacity to other utilities and power marketers. The Transmission System includes approximately 15,000 circuit miles of high voltage transmission lines, approximately 300 substations and related facilities in Washington, Oregon, Idaho and portions of Montana, Wyoming and northern California, and includes the transmission lines that provide the primary bulk transmission intertie between the Pacific Northwest and the Pacific Southwest. The Transmission System provides about 75% of the Pacific Northwest's high-voltage bulk transmission capacity, and serves as the main power grid for the Pacific Northwest.

In response to federal legislative and regulatory initiatives to promote competition in the wholesale power markets, in 1996 Bonneville separated its power marketing function and its transmission system functions into separate business lines, and now requires that power supply and transmission services be purchased separately.

#### PREFERENCE CUSTOMERS

Bonneville sells power at wholesale to approximately 131 Preference Customers located in Washington, Oregon and Idaho and in parts of western Montana, western Wyoming, northern Nevada and northern California (the "*Pacific Northwest*") and certain federal agencies. In addition to the Residential Exchange Program, Bonneville also sells power to a small number of

direct-service industries and federal agencies in the region. Bonneville's service area covers over 300,000 square miles and has a current population of about 12 million people.

In addition to the power sales described above, Bonneville markets at wholesale non-firm and surplus power to utilities, power marketers and others within and outside of the Pacific Northwest. The amount of power available for marketing depends upon stream flows in the Columbia River Basin. The prices Bonneville receives for this power depend upon wholesale power market conditions, stream flows in the Columbia River Basin and other factors outside of Bonneville's control.

For its fiscal year ended September 30, 2007, Bonneville's gross power sales revenues were \$2.6 billion. Sales to Preference Customers, investor-owned utilities in the Pacific Northwest and surplus and non-firm power sales accounted for 71%, 11% and 18%, respectively, of Bonneville's 2007 gross power sales revenues.

#### SALES TO PREFERENCE CUSTOMERS

Until 2001, Bonneville sold power to its Preference Customers under contracts where it supplied all or a designated portion of the Customers' requirements. Bonneville presently sells power to its Preference Customers (including the City) under power sales agreements that became effective on October 1, 2001 and expire on September 30, 2011 (the "2001 PSAs"). In response to requests from its Preference Customers for more flexible power supply options, Bonneville offered three types of power supply service to Preference Customers in the 2001 PSAs:

- *Load-Following*: power provided in such amounts and at such times as are necessary to meet all or a portion of a customer's actual loads; and
- *Block*: power provided in pre-determined amounts each month;
- *Slice of the System ("Slice")*: a specified portion of the power generated by the Power System, on an "if, as and when generated" basis.

Under the 2001 PSAs, all of the Preference Customers that elected to purchase the Slice product, purchased a combination of the Block and Slice products. IFP elected to purchase this combined product from Bonneville under terms that allowed it to increase its purchase of Block power for the final five years of its 2001 PSA.

#### COST-BASED RATES

Bonneville operates on a self-financing basis (meaning that it pays all of its costs from the revenues it receives from the sale of power, transmission and other services), and is required by federal law to charge cost-based rates, consistent with sound business principles. Bonneville's rates are established to generate revenues sufficient to recover the actual costs of the power supply, transmission and related services it provides, debt service charges and to repay over time the federal investment in the Federal System. Bonneville's rates are subject to

review and approval by the Federal Energy Regulatory Commission (“FERC”), which is required to issue a finding that the rates are based on Bonneville’s total system costs.

The rates for service under the 2001 PSAs vary by product (Load-Following, Block, Slice) and are determined under the provisions of the 2001 PSAs and Bonneville’s rate cases before FERC. Purchasers of the Slice product pay rates that are based on a proportionate share of the total costs of the Power System with certain adjustments. The 2001 PSAs also included three separate cost recovery adjustment clauses or “CRACs” that applied for the first five years of the 2001 PSAs (October 1, 2001 through September 30, 2006) that enabled Bonneville to adjust the rates paid by Preference Customers to recover its costs. In its most recent completed rate case before FERC (covering the period from October 1, 2006 to September 30, 2009), Bonneville replaced the three CRACs with a single CRAC, a dividend distribution clause and an adjustment for certain fish and wildlife costs. The current rate structure provides that rates for each year will be subject to an annual adjustment on the basis of forecasted financial results for the prior fiscal year.

#### FORECAST LOADS AND RESOURCES

Bonneville periodically estimates the amount of its power supply obligations to its customers in order to plan for the acquisition of additional power supply resources and for the amounts of firm power it may have available for marketing. Under a load and resource study published in August 2007 known as the “White Book,” Bonneville projected that its service obligations to customers would increase from 8,474 aMW in 2008 to 8,760 aMW in 2017. Over the same period, the White Book projected that Bonneville’s net power supply resources (determined on a Critical Water basis) would decrease from 8,364 aMW in 2008 to 8,081 aMW in 2017, resulting in annual energy deficits ranging from 110 aMW in 2008 to 679 aMW in 2017.

In the event that Bonneville does not have adequate power supplies to meet its obligations to its customers, various statutory and contractual provisions allow Bonneville to allocate available power among its customers.

#### FACTORS AFFECTING BONNEVILLE’S OPERATIONS

Bonneville’s revenues and expenses and the power supply rates it charges to its Preference Customers are subject to various factors outside of Bonneville’s control, including (among others): (i) stream flows in the Columbia River basin, which affect both the amount of power available to Bonneville and wholesale market prices for power in the Pacific Northwest; (ii) the level and volatility of wholesale market prices for electricity in the western United States, which impact both of the revenues received by Bonneville from market sales of energy and the expenses incurred by Bonneville in market purchases of energy to meet its contractual power supply obligations; (iii) the level of Bonneville’s contractual power supply obligations to its Preference Customers and other customers; and (iv) the effect of environmental laws and regulations, particularly changes in fish protection requirements which could impose additional costs on Bonneville and affect the hydroelectric production of the Power System.

## 2011 POWER SALES AGREEMENTS

### REGIONAL DIALOGUE

In 2004 and 2005, the Public Power Council (which represents most Preference Customers), the Northwest Power and Conservation Council and other interested groups initiated discussions regarding Bonneville's long-term power supply role in the Pacific Northwest and the long-term allocation of power from the federal Power System. BPA began a public process in 2005 called the "Long-Term Regional Dialogue Process" to define BPA's long-term power supply role. In 2006, BPA issued a policy proposal that contained governing principles for the Regional Dialogue Process and the development of new long-term power sales agreements between BPA and its Preference Customers that would become effective on October 1, 2011 (upon expiration of the 2001 PSAs). BPA solicited public comments of the policy proposal and held a number of public hearings throughout the Pacific Northwest.

In 2007, Bonneville issued its Record of Decision on the Regional Dialogue Process. The Record of Decision determined that BPA would proceed to offer 2011 PSAs to its Preference Customers with provisions generally consistent with the governing principles set out in the 2006 policy proposal. In particular, the Record of Decision determined that:

- The 2011 PSAs would be executed in 2008 and would provide for BPA to provide power supply services to its Preference Customers through September 30, 2028.
- Preference Customers would have the option of purchasing the Load-Following, Block or Slice/Block product to meet their "net requirements" with various modifications to the terms of the 2001 PSAs. The "net requirements" of a Preference Customer are determined annually by BPA based on the Customer's total retail load less any non-BPA power supply resources it uses to meet its retail loads.
- In recognition of the BPA's projection that the net firm output of the Power System would not be sufficient to meet the net power requirements of its Preference Customers and in order to minimize the impact of market prices and volatility on the "priority firm" rates Bonneville charges its Preference Customers, a Tiered-Rate Methodology ("TRM") will be applied to all Preference Customers, as discussed below.

Bonneville has finalized the 2011 PSAs and has requested its Preference Customers to authorize, execute and return them to BPA by December 1, 2008.

### TIERED-RATE METHODOLOGY

The Tiered-Rate Methodology is contained in a Rate Case Initial Proposal issued by Bonneville in May 2008 and is reflected in the provisions of the 2011 PSAs. Bonneville has submitted the Rate Case Initial Proposal to FERC to obtain a determination that the rate methodology of the TRM meets the requirements of the Northwest Power Act for the entire term



of the 2011 PSAs. During the term of the 2011 PSAs, BPA intends to develop separate rate schedules for each two-year period pursuant to standards and procedures contained in the TRM and the 2011 PSAs.

Under the TRM, beginning October 1, 2011, Bonneville will allocate the net firm output of the Power System among its Preference Customers. The allocation will be based upon each Preference Customer's net power requirements for the year ended September 30, 2010, normalized for weather conditions and adjusted for extraordinary events. The normalized and adjusted 2010 net power requirements of a Preference Customer are referred to in the TRM as "High Water Marks" (or "HWMs"). The High Water Mark for each Preference Customer will be an annual amount of energy stated in aMW. Bonneville has determined that the net power output of the Power System available for allocation to the High Water Marks of all Preference Customers is 7,100 aMW (which includes a limited amount of augmentation by firming and supplemental power supplies). A Preference Customer's High Water Mark is subject to adjustment in conjunction with BPA's periodic rate cases during the term of the 2011 PSAs.

Bonneville's lowest cost-based rate (referred to in the TRM as the "Tier 1" rate) will apply to all purchases of power by a Preference Customer up to its High Water Mark. The Tier 1 rate is structured to recover the costs of the Power System and is expected to be below \$35/MWh in the initial rate period under the 2011 PSAs.

The High Water Mark allocations of most Preference Customers under the TRM are likely to be somewhat less than their actual power supply requirements for the year beginning October 1, 2011. (IFP projects that it will require an additional 3 aMW of power supply for this year.) Because the High Water Mark allocations will be based on Preference Customers' net requirements for the year ending September 30, 2010, these allocations will not provide any power supply for load growth in a Preference Customer's service area. As a result, most Preference Customers will have system loads greater than their High Water Mark allocations and will need additional power supplies to meet these loads.

To meet its net requirements above its High Water Mark allocation, a Preference Customer may (i) purchase supplemental firm requirements power from BPA, (ii) purchase or acquire other power supply resources or (iii) use a combination of (i) and (ii). Supplemental firm requirements power from BPA will be sold at rates that cover all of BPA's incremental costs of acquiring additional power supply resources at wholesale market-based prices (referred to in the TRM as "Tier 2" rates). In order to enable BPA to acquire the additional power supply resources necessary to provide supplemental firm requirements power, the 2011 PSAs establish four separate "purchase periods" for Tier 2 power over the term of the 2011 PSAs and require Preference Customers to give BPA three to four years' advance notice of their intention to purchase Tier 2 power from BPA. Purchases of Tier 2 power may be made only in "flat block" amounts (*i.e.*, an equal amount for each hour of a year).

Preference Customers that elect to purchase power from Bonneville at Tier 2 rates will make a separate power purchase commitment to BPA that will extend for three to five years under the 2011 PSAs. At this time, it is difficult to project the initial Tier 2 rates that will be

charged by Bonneville due to changing market prices and the types of power supply resources and quantities of power acquired by BPA. Current estimates range from \$50/MWh to \$80/MWh.

The TRM and the 2011 PSAs contain extensive provisions to avoid any shifting of costs between different power supply products (Load-Following, Block and Slice/Block) and between Tier 1 rates and Tier 2 rates.

#### GENERAL TERMS OF THE 2011 PSAS

The following paragraphs summarize certain general provisions of the 2011 PSAs that apply to all power supply products (Load-Following, Block, Slice/Block) offered by Bonneville.

*Availability:* Products and services are available to Preference Customers that request firm power service pursuant to the Northwest Power Act.

*Purchase Period:* October 1, 2011 through September 30, 2028 (17 years).

*Limitations:* A Preference Customer may enter into only one 2011 PSA (*i.e.*, Load-Following, Block or Slice/Block) with BPA. In general, a Preference Customer may not change the power supply product it has selected during the term of its 2011 PSA. The 2011 PSAs provide Customers with a one-time option to change power supply products effective on October 1, 2019 upon notice to BPA by May 31, 2016. This option is, however, subject to the right of BPA to deny the change if the requested changes in power supply products of all Preference Customers would result in an increase of more than 300 MW in BPA's peak loads in any month.

*Delivery of Power:* The 2011 PSAs specify receipt point(s) for each Preference Customer and, in general, require the Customer to arrange for the transmission of power from its receipt point to its distribution system. Most Preference Customers have entered into long-term transmission contracts with BPA's transmission business line. For Idaho Falls Power, power deliveries under the 2011 PSA will be made by BPA at the Westside Substation (which is owned by BPA and interconnected directly with IFP System) and/or the Sugar Mill Substation (the point of interconnection between IFP's transmission facilities and the regional transmission network operated by Rocky Mountain Power).

*Payment Obligation:* Under Section 3.2 of the 2011 PSAs, each Preference Customer is required to pay BPA for all power that the Preference Customer has committed to purchase under the 2011 PSA and that BPA "makes available" to the Preference Customer, regardless of whether the Preference Customer takes actual delivery of the power. In other words, the obligation of a Preference Customer to purchase the amounts of power specified in its 2011 PSA is firm, subject only to the "Uncontrollable Forces" (*i.e.*, *force majeure*) provisions of Section 21 of the 2011 PSA.

While Section 3.2 of the 2011 PSAs is captioned "Take or Pay," the payment obligation of a Preference Customer is not a true take-or-pay obligation because the Customer is not required to make payments to BPA in the event that Bonneville does not make power available to the Customer. Under the provisions of the 2011 PSAs, a Preference Customer is not obligated

to make any payments to Bonneville if no power is made available to the Customer from the federal Power System, and if less than the contracted quantities are made available by BPA for any reason, the Customer is obligated to make payments only for the power actually made available. Accordingly, the 2011 PSAs constitute “take-and-pay” service contracts under which the Customer has a firm obligation to take and pay for power, if and to the extent that power is delivered by BPA.

Preference Customers that are Idaho cities are obligated to make payments to Bonneville solely out of the revenues of their municipal electric utility enterprise funds, and in no event are they required to levy any taxes for the purpose of making payments to BPA.

*Billing and Payment.* BPA bills Preference Customers monthly, with payment due on the 20th day after the bill is sent. If payment is not made by the 45th day after the due date, BPA may upon three business days’ notice terminate the defaulting Customer’s 2011 PSA.

*Rate Covenant.* Each Preference Customer covenants to Bonneville that it will establish and collect rates and charges for the retail electric services it provides to produce revenues sufficient to assure recovery of the Preference Customer’s costs for power and energy.

*Payment Assurances.* BPA may require payment assurances (*e.g.*, cash collateral or a letter of credit) if it determines that the retail rates established by a Preference Customer may not be sufficient to enable it to make the payments due under a 2011 PSA or if BPA determines that it has other reasonable grounds to conclude that the Customer may not be able to make such payments.

BPA requires that all Preference Customers purchasing the Slice Product enter into a Creditworthiness Agreement with BPA. The Creditworthiness Agreement generally provides that BPA may require a Preference Customer to post cash collateral or a letter of credit in an amount equal to 12% of its maximum annual payments for the Slice product if the Customer does not have a long-term debt rating from a national credit rating agency that is at least “investment grade” (“BBB-” or equivalent).

The following paragraphs and next section of this Report provide summary descriptions and analyses of the alternative power supply products offered under the 2011 PSAs:

#### LOAD-FOLLOWING

Under the Load-Following product, Bonneville sells and the Preference Customer purchases such amounts of power as are necessary at all times to meet the Customer’s total retail load, less the amounts of power from any power supply resources dedicated by the Customer to serve its retail load. In other words, Bonneville sells power to meet a Preference Customer’s actual system load, regardless of daily, seasonal or annual changes in the Customer’s actual loads up to the Customer’s High Water Mark. As discussed above, under the Tiered-Rate Methodology BPA’s lowest rate (the “priority firm” rate) will apply to all power sold by BPA up to a Customer’s High Water Mark. A Preference Customer may elect to meet its power supply

requirements above its High Water Mark with purchases of supplemental block power from BPA at Tier 2 rates, market-based resources or a combination of them.

Most Preference Customers selected the Load-Following product under the 2001 PSAs and it is expected that most of them will continue to purchase the Load-Following Product under the 2011 PSAs. The principle advantages of the Load-Following product are its relative simplicity, the load-following nature of the product and no scheduling obligation for the Customer.

#### BLOCK

Under the Block product, BPA sells and the Preference Customer purchases blocks of power in specified amounts. Different blocks of power may be specified for heavy load hours and light load hours within a month, and the blocks may vary month by month but not within a month. These blocks of power are specified in a schedule attached to the 2011 PSA and may not be changed over the 17-year delivery period.

For the handful of Preference Customers who own thermal generating resources or have supplemental requirements contracts with other suppliers that provide for the shaping of power deliveries to follow loads, the Block product is a viable power supply option. For Preference Customers that have resources or contracts with limited shaping flexibility, the Customer may separately purchase from BPA supplemental shaping capacity during heavy load hours. The amount of shaping capacity is predetermined for the contract term and must be declared before contract signing. The Block product does not provide flexibility to meet real time changes in load. Block Service without Shaping Capacity must be purchased under the Slice/Block product.

#### SLICE

The Slice product, while being the most complex of the BPA power supply product offerings, clearly offers the most flexibility of all the purchase options. Under the 2001 PSA, Idaho Falls Power presently purchases the Slice product with a Slice percentage of 0.6931%. The Slice product allows a Preference Customer control and autonomy in the operation of its own generation and contract resources. Under the terms of the 2011 PSAs, the Slice product requires a thorough understanding of complex hydro system operations, because the Customer is involved in setting operating parameters to cause water to be released through the generating units of the federal Power System to meet its load.

The Slice product provides the right to receive power that is indexed to the combined Federal System Resource capability. It is the equivalent of receiving a percentage share of the Federal System Resources in exchange for the obligation to pay the same percentage share of BPA's adjusted revenue requirements. The Preference Customer receives the total output from its Slice percentage and also has the right to utilize the same percentage of the federal Power System's storage capability.

In utilizing the Slice product, the Customer determines the rate of delivery in any hour based upon the maximum and minimum capability of the Power System after considering the

non-power constraints placed on the System. The maximum and minimum capability will vary as conditions of the hydroelectric and thermal resources change throughout the day, week, month and year. The generating levels at 20 of the hydroelectric projects in the federal Power System are established one or more days ahead of time and the Columbia Generating Station operated as a base-load plant. These projects are characterized as "non-dispatchable" projects. The generating levels at the remaining ten hydroelectric projects are established and adjusted on real-time, subject to the limitations and requirements of all applicable operating constraints. These projects are characterized as "dispatchable" projects.

The right to purchase Slice product is determined by the firm portion of the Slice capability that cannot exceed the Preference Customer's firm net requirements. However, BPA limits the amount of the generating capacity of the Power System to be sold as Slice, so Customers electing to purchase the Slice product are required to purchase the Block product to meet a portion of their net power requirements. The only product which may be purchased from BPA in combination with the Slice product is the Block product without Shaping Capacity.

The Slice product provides firm power (capacity and energy), based on a calculated percentage share of the capability of specified Power System resources, including actual energy generation (firm and secondary) and storage capability. The capacity available for a particular percentage of the system is approximately twice the average energy (*i.e.*, 10 aMW energy has 20 MW of capacity, although BPA has acknowledged that the quantity of capacity may need to be reduced in the future.

The Slice product does not guarantee that a Preference Customer's load will be met on any hour, due to the fact that the sale is indexed to the generation from specified resources of the federal Power System. The Customer will assume the performance risks for its share of the generation output of the designated federal Power System resources. Slice, unlike all other offered preference products, includes firm power and surplus power. The firm component of Slice is deemed to be the output of the designated federal Power System resources under critical water conditions. Surplus energy is all output above the firm power component on an annual basis.

IFP will be able to purchase the Slice product in combination with the Block product, up to its net requirements, but subject to its High Water Mark. The power available under the Slice product does not match IFP's load in all months of the year as the product is delivered in the shape of generation from the designated federal Power System resources which does not match the seasonal shape of IFP's load. IFP's intent is to exchange or store for future return with a third party in months of shortfall and/or market within the guidelines acceptable for Slice.

The Slice product includes the right to modify the rate of delivery within the day, week, month, and year, based on indices that are tied to the then-existing minimum and maximum capabilities of the designated Power System resources, after considering non-power requirements. Slice purchasers will also have the ability to keep energy in a storage account within BPA's operational parameters. However, the storage is not guaranteed.

The risk elements of the Slice product are different than BPA's other power supply products. The Slice purchaser does not pay for power at a published or guaranteed rate. The purchaser agrees to take a specified percentage of the output of the designated federal Power System resources, and agrees to pay the same percentage of the corresponding annual revenue requirement of BPA. The Customer is therefore exposed to the risk of loss of generation due to outages, de-rating of the federal Power System and the low water years. However, the risk is ultimately only one of timing, as all Preference Customers are exposed to the same risks, only in a more delayed manner. Outages, system de-rating, and prolonged low water will all ultimately lead BPA to increase all of its wholesale rates to Preference Customers. Put differently, Slice customers share the same risks as BPA, who passes those risks on to all Customers through rates.

A flat Block product (equal blocks of power for all hours within a month) is the only power supply product that can be combined with Slice. The flat Block product available to Slice purchasers may vary monthly relative to a Preference Customer's net requirements, but must be flat during all hours of the day. The Regional Dialogue Record of Decision states that Bonneville will limit the total amount of the Slice product to 25% of the firm aMW of the federal Power System (approximately 1,850 aMW). It is expected that the total High Water Mark loads of Preference Customers selecting the Slice product may approach 3,700 aMW. As a result, it is presently expected that Preference Customers selecting the Slice product will receive Slice allocations of about 50% of their HWM loads and will be required to purchase supplemental Block product to cover the balance of their HWM loads.

#### **ANALYSIS OF BPA PRODUCT OFFERINGS; ALTERNATIVES**

##### **LOAD-FOLLOWING**

The Load-Following product is a viable power supply resource for IFP. The principal benefit is its simplicity.

One of the costs/risks associated with the Load-Following product is that BPA has not identified the power supply resources that will be used to provide the shaping services necessary for the Load-Following product or what the costs of these resources will be. It is possible that these costs could be significant and could adversely affect the Tier 1 rates charged by BPA to purchasers of the Load-Following product.

In addition, because Bonneville uses critical water conditions to establish the firm power output of the Federal System, there will be surplus power output available to Bonneville in each year that stream flows exceed critical water levels. Bonneville controls the disposition of this surplus power and the revenues from surplus power sales, which may be applied to various BPA purposes. Preference Customers that purchase the Load-Following product have no control over BPA's disposition of surplus power or the revenues from surplus power sales. In contrast, purchasers of the Slice product are allocated a specified percentage of all of the power output, including surplus, of the Power System. As a result, Preference Customers that purchase the Slice product have the ability to determine whether to use surplus generation to meet their

system loads or to sell or exchange surplus generation on favorable terms, and have complete control over the application of any resulting revenues.

#### BLOCK

The Block product (as a stand-alone power supply product) is not well suited for Idaho Falls Power. As noted above, IFP does not have any thermal generating resources that can be operated to match its system loads, and its hydroelectric generating units all operate as run-of-the-river units. Consequently, the Block product would be very difficult, and probably not cost-effective for IFP in comparison to either the Load-Following or Slice/Block products.

The principal costs/risks of the Block product arise from the requirement to fix the quantities of Block power and various details at the time of contract execution for the total term of the 2011 PSA. In addition, the Block product by itself does not provide flexibility to meet real time changes in load and IFP would be required to purchase separate shaping services from BPA or on the market to match its power supply with its loads. The provisions of the 2011 PSA regarding shaping capacity are highly complex and, as noted above, BPA has not yet identified the resources or the costs associated with shaping capacity. It is possible that the shaping services available from BPA would not be adequate to match the Block product to IFP's hourly loads, and IFP could be forced to make market purchases of shaping services or supplemental power supplies to achieve the necessary matching. The need to make market purchases of services or power creates direct market price exposure, which is undesirable given IFP's primary objectives to maintain control over costs and to promote rate stability.

#### SLICE

The Slice product is the most favorable power supply product for the IFP system. The Slice product provides significant flexibility in shaping and access to storage, both of which accommodate the variability of the temperature-sensitive loads on IFP's System, as well as the variability of the output of IFP's run-of-the-river hydroelectric units. In addition, IFP is located geographically in a favorable position to exchange seasonally and/or to buy and sell as surpluses or deficits of electricity that will occur due to the water variability of stream flows through the federal Power System. Although there are periods (hours, days, or months) when IFP could be short, those periods are modest and can be managed effectively by IFP with its own resources, and through additional resource acquisitions and market purchases.

While it is expected that IFP will need to purchase flat Block service to supplement its purchase of the Slice product, and that IFP will lose some flexibility and value as a result, substantial value and benefits remain for IFP in the combined Slice/Block product.

The principal costs/risks of the Slice Product are the year-to-year variation in the cost and quantity of electricity available from IFP's specified percentage of the output of the federal Power System due to variations in stream flows in the Pacific Northwest. In addition, BPA will pass through in monthly power bills to Slice purchasers all of the costs of the generating resources used to provide the Slice product, and these costs are not in the control of IFP.

Purchasers of other BPA products will ultimately be exposed to these costs, but may be insulated from them until BPA's next rate case.

#### ALTERNATIVE POWER SUPPLIES

There are two general alternatives to entering into the 2011 PSA with Bonneville: (i) entering into a contract with another wholesale power supplier; and (ii) acquiring an existing or constructing a new generating resource either by itself or by participating with other similarly-situated utilities. As discussed below, neither of these alternatives compare favorably with the 2011 PSA in terms of price, reliability and risks.

*Wholesale Contracts.* As a result of federal actions beginning with the Energy Policy Act of 1992, wholesale power supply markets have developed in the United States. The power suppliers in these markets include traditional utilities with surplus power supplies for sale, and wholesale generators, independent power producers, investment banks and power marketers all of which are generally exempt from regulation.

As with any evolving market, the wholesale power supply market has experienced significant volatility, liquidity and reliability issues. In 2000 and 2001, the western power market experienced a near melt down due to a perfect storm confluence of a flawed deregulation plan in California, regional power shortages due to low stream flows on the Columbia River and insufficient resources in California due to regulatory delays of new power plant construction caused wholesale spot and forward power prices in the West to increase more than ten times historical levels. The subsequent bankruptcy of Enron drew many power purchasers into protracted litigation and sizeable marked-to-market termination payments under contracts entered into at the height of market prices. While the western power market has, in comparison, been relatively stable in recent years, the bankruptcies of several large wholesale power generators (Calpine, NRG, Mirant and others), investment banks and power marketers (notably, Lehman Brothers) that were active in the power markets have focused all load-serving utilities on the performance and financial risks of their contractual counterparties.



The following table shows the average price of electricity during heavy load hours at the Mid-Columbia pricing point for the past 36 months.

2005-06	\$/MWh	2006-07	\$/MWh	2007-08	\$/MWh
October	86.12	October	52.97	October	62.18
November	69.76	November	60.54	November	64.91
December	108.50	December	60.11	December	66.74
January	57.70	January	53.61	January	75.49
February	51.38	February	58.60	February	70.78
March	44.28	March	39.79	March	73.69
April	24.85	April	48.84	April	90.16
May	31.92	May	53.80	May	61.97
June	36.22	June	52.20	June	38.08
July	69.51	July	63.80	July	73.92
August	63.67	August	61.24	August	72.14
September	48.82	September	55.72	September	59.48
Ann. Average	57.73		55.70		67.46

The period covered by the above table was relatively stable in comparison to the events of 2000-2001. In December 2000, due to the California/Western energy crisis and low stream flows through the Columbia River, hourly spot prices for electricity spiked to over \$3,000/MWh and the monthly average price at the Mid-Columbia pricing point for December 2000 was nearly \$600/MWh. Nonetheless, market prices in the 2005-2008 period reflect a significant amount of volatility and uncertainty. Prices fell by over 75% in a four-month period between December 2005 and April 2006, and recently increased by over 90% in a single month between June and July 2008. In addition, from year-to-year there is little correlation between prices for the same month with, for example, the April 2007 price being twice the April 2006 price, and the April 2008 price being twice as high as the April 2007 price. The volatility and uncertainty reflected in these market prices results from supply and demand conditions, with supply being inherently unpredictable in the Pacific Northwest due to the region's dependence on hydroelectric generation and the variability of precipitation and stream flows.

Any seller of wholesale power to Idaho Falls Power would itself likely rely on a combination of wholesale market supplies and ownership or contractual rights to the output of one or more generating units to meet its delivery obligations to IFP. The seller would need to set its price for power at a level sufficient to recover market prices for power as well as its own cost of generation. As discussed below, virtually all generation now available is fueled by natural gas, and price volatility in the gas markets can be extreme. As a result, it can be expected that IFP would pay a premium over current market prices in order to obtain a long-term power supply in lieu of the 2011 PSA.

Mooney Consulting and Idaho Falls Power have polled various power suppliers to determine their willingness to enter into long-term power supply contracts. All of these suppliers indicated that they would not enter into a contract with a term longer than five years.

Consequently, market supplies also present substantial renewal risk to IFP and no assurance could be given as to the terms and prices for a renewal power supply in five or six years.

Power supply contracts from marketers are based on new resource development costs as represented by "market prices". Power supply contracts from investor-owned electric utilities have slowly disappeared over time as resource development has become more problematic and more costly than existing resources. The only type of contract available is for all hours flat or for heavy or light load hours. No market products are currently available to follow load.

It can be expected that the contractual provisions for a medium-term market supply will be significantly less favorable to IFP than those of the 2011 PSAs. With the failure of a number of market participants in recent years, contract terms have tightened significantly and, among other things, it is likely that even a well-rated credit like IFP would be required to post significant collateral to secure its power purchase obligation. In addition, most market-based contracts now contain marked-to-market termination payments in the event that either party defaults under the contract. These provisions create substantial risk for IFP if its supplier goes bankrupt--the only way for IFP to terminate the contract may be to make a large termination payment to the supplier's bankruptcy estate if then-current market prices are not in IFP's favor.

*Power Plant Development and Construction.* Considerable concern exists about resource adequacy in the West from 2011 forward. See "BONNEVILLE POWER ADMINISTRATION—Forecast Load and Resources" above. Several proposed coal-fired generation projects are on hold due to litigation and uncertainty about carbon and mercury regulations. It is unlikely that any new coal-fired project will be completed before 2014 and with no real assurance of even meeting that schedule.

IFP is a participant in the development of the proposed 900 MW Intermountain Power Project Unit No. 3 ("*IPP3*"). The City of Idaho Falls held an election in 2006 to obtain voter authorization to incur debt and participate in IPP3, and received more than the two-thirds approval necessary under Idaho law. At the present time, the development of IPP3 has been suspended due to environmental and other litigation. At this time, IFP has no assurance that the plant will be completed.

Gas-fired generation is the only practical alternative for intermediate or base-load generation until the legal and regulatory uncertainties associated with coal-fired generation are resolved. If a gas-fired generating unit is not now under development with permitting completed and equipment ordered, it cannot meet an in service date earlier than 2012. A significant portion of the all-in costs of gas-fired generation is fuel, and the persistent volatility in natural gas prices makes these resources unattractive for utilities concerned with rate stability.

While an ownership or participation position in a modern thermal (coal or gas-fired) generating project would provide substantial benefits to Idaho Falls by providing a power supply that can follow IFP's System loads, construction and operation of a new generating plant involves substantial risks for owner/participants. While these risks can be mitigated through careful selection of construction and operation contractors and negotiation of favorable contract

terms, not all risks can be completely avoided, particularly the uncertainties associated with future environmental regulations and/or greenhouse gas emissions limitations.

#### BPA COMPARED TO ALTERNATIVE POWER SUPPLIES

As discussed above, the federal Power System consists of 31 federal hydroelectric projects and several non-federal hydroelectric and thermal projects in the Pacific Northwest, representing 225 separate generating units. See "BONNEVILLE POWER ADMINISTRATION—Power System" above. Since the City began purchasing power from Bonneville in 1963, the generating resources of the Power System have operated with a high degree of reliability and have provided the City and the electric consumers it serves through Idaho Falls Power with power supplies at rates that have been well below, and far more stable than, available alternatives. The large number of generating units within the Power System and Bonneville's use of critical (historic low) water conditions to determine the amounts of firm power it can contractually commit to sell to Preference Customers substantially mitigate the risk that Bonneville will not be able to deliver the power that it has contractually committed to sell to the Customers.

All BPA products are better in price and terms than any alternatives available in the commercial market at this time. The alternatives that are based on market pricing are driven by supply and demand in the competitive wholesale market and have increased considerably in the past several years to levels that are at least double the price of BPA's power supply products. If Idaho Falls Power were required to purchase power supply in the wholesale market to replace its power supply from Bonneville, IFP would be required to double its retail service rates to consumers in order to recover its increased power supply costs.

None of the risks inherent in wholesale market contracts are present in the 2011 PSA. The power purchased by IFP is priced at BPA's cost, which cost is subject to detailed contractual provisions as well as regulatory review and determination by FERC as being cost-based. The contract duration is 17 years, which is impossible to achieve in the current market, and the contract terms are reasonably favorable to the Preference Customer. Further, since BPA is a federal agency, IFP has no exposure to supplier bankruptcy risk. While IFP will need to engage in some market transactions to manage and optimize the power supply available under the 2011 PSA, the size, duration and risk of these transactions is an order of magnitude less than IFP's exposure if it had to enter into contractual arrangements to replace the 2011 PSA.

The principal risks with the BPA Slice Product are the generation shape month-by-month which varies from IFP load shape and the generation variability due to precipitation, snowpack and runoff. A thermal generating resource which can be operated to follow IFP's System loads and to provide power supply to meet load growth would augment IFP's Slice and Block power supplies from BPA. As noted above, there are significant financial, construction and operating risks associated with IFP's ownership or participation in a new thermal resource. Accordingly, while an ownership or participation position in a thermal resource would pose substantial risks for IFP and its ratepayers if it had to be used to replace IFP's power supply from Bonneville, a thermal resource that is used solely to augment IFP's power supplies from BPA presents risks of a much smaller order of magnitude that can be managed and mitigated effectively by IFP.

## PROJECTED POWER SUPPLY REQUIREMENTS AND RESOURCES

### ANNUAL REQUIREMENTS AND RESOURCES

The following table shows the projected total energy requirements of the System and the amounts of energy projected to be available to IFP from the Gem State Project and its purchase of the Slice/Block power supply products for the first ten years of operations under the 2011 PSA. The table was prepared on the basis of:

- Projected Total Energy Requirements are based on the System's current requirements of 748,100 MWh/year and an annual growth rate of 1.5%;
- Gem State Generation is based upon IFP's 61% share of the output of the Gem State Project and Snake River critical water year (1934) stream flows; and
- BPA Slice/Block Energy is based upon IFP's projected High Water Mark allocation of power from BPA and Columbia River critical water year (1937) stream flows.

YEAR ENDING SEPTEMBER 30,	PROJECTED ANNUAL ENERGY REQUIREMENTS	GEM STATE GENERATION	BPA SLICE/BLOCK ENERGY	RESOURCE SURPLUS (SHORTFALL)
2012	793,400	50,760	719,163	(23,481)
2013	805,300	50,760	719,163	(35,381)
2014	817,380	50,760	719,163	(47,461)
2015	829,640	50,760	719,163	(59,721)
2016	842,080	50,760	719,163	(72,161)
2017	854,710	50,760	719,163	(84,791)
2018	867,530	50,760	719,163	(97,611)
2019	880,540	50,760	719,163	(110,621)
2020	893,750	50,760	719,163	(123,831)
2021	907,160	50,760	719,163	(137,241)
2022	920,770	50,760	719,163	(150,851)

For power supply planning purposes, prudent practice requires the use of critical water stream flows to project the energy available to IFP from the Gem State Project and BPA. It can be reasonably expected that average stream flows over the period shown above will be above critical water stream flows and that IFP will receive additional amounts of energy from the Gem State Project and BPA. However, the use of average stream flows for power supply planning purposes exposes IFP and its customers to the risk that critical water conditions occur one or more times during the projection period. In this event, IFP would be forced to purchase supplemental power supplies at market prices to meet its System loads. Under critical water conditions, it can be expected that the market price for in the Pacific Northwest will be both high and volatile. If IFP were forced to purchase supplemental power supplies in such a market, it is

possible that the amounts on deposit in the Rate Stabilization Fund could be depleted rapidly and that substantial rate increases would have to be imposed on IFP's ratepayers. This result would be inconsistent with the guiding principles set forth in IFP's mission statement.

The increasing power supply shortages shown in the table above reflect the terms of the 2011 PSAs, namely that BPA will limit sales to all of its Preference Customers at its lowest Tier 1 rates to their High Water Mark allocations under the Tiered Rate Methodology. As a result, IFP and Bonneville's other Preference Customers will need to acquire supplemental power supplies from BPA at its market-based Tier 2 rates, from other suppliers at market-based rates or from ownership positions in new generating plants.

#### MONTHLY REQUIREMENTS AND RESOURCES

The following table shows the month-by-month energy requirements and resources for the first contract year under the 2011 PSA. This table was prepared on the same basis as the table above (showing annual requirements and resources) and reflects the seasonal variations in the loads served by IFP and the energy available to IFP from the Gem State Project and BPA.

YEAR ENDING SEPTEMBER 30, 2012	PROJECTED MONTHLY ENERGY REQUIREMENTS	GEM STATE GENERATION	BPA SLICE/BLOCK ENERGY	RESOURCE SURPLUS (SHORTFALL)
October	60,411	5,710	54,886	185
November	66,444	6,866	58,918	(660)
December	80,459	6,368	72,175	(1,916)
January	86,838	7,099	67,459	(12,280)
February	72,540	6,861	56,395	(9,284)
March	71,424	6,880	57,551	(6,993)
April	62,212	6,866	48,667	(6,678)
May	55,913	0	60,706	4,792
June	54,931	0	61,542	6,611
July	66,027	0	65,099	(928)
August	61,678	0	64,239	2,561
September	54,524	4,106	51,525	1,108

Attached as *Appendix I* to this report is a graphic presentation of the data shown in the table above.

Various strategies and actions can be taken by IFP to balance the monthly surpluses and shortfalls shown in the table above. Conservation and energy efficiency programs that reduce the demands on the System during the periods of peak demand in the winter months can partially offset the significant shortfalls in these months. The most desirable power supply product for IFP would be one or more long-term exchange agreements with other utilities that have peak system demands in the summer months and surplus power in the winter months. While the advantages of exchange arrangements with other utilities is obvious, IFP has sought such

arrangements without success for several years. As a result, it is most likely that IFP will be required to enter into power purchase and sale arrangements to balance its power supplies and requirements.

#### ANALYSIS OF RATE STABILIZATION FUND BALANCE

As noted throughout this Report, the Rate Stabilization Fund provides substantial benefits to Idaho Falls Power in connection with the operation of the System, including power supply matters. As a part of this Report, Mooney Consulting was requested by IFP to review the appropriate funding level for the Rate Stabilization Fund.

The appropriate funding level for the Rate Stabilization Fund is affected by a variety of factors, including:

- the amounts of additional power supplies that IFP will be required to purchase to supplement its existing resources and contract purchases and the risk of increases in market prices in the Pacific Northwest;
- the reserve amounts necessary to enable IFP to insulate its customers from short-term rate impacts associated with stream flow variability in the Columbia and Snake Rivers;
- contingent collateral posting requirements associated with the 2011 PSA and power purchase arrangements with market suppliers;
- the renewal of IFP's power sales contract with BPA for the output of the Bulb Turbine Project;
- the estimated cost of future capital projects in IFP's capital improvement plan, which includes:
  - approximately \$2 million for rewind work at the Upper Plant of the Bulb Turbine Project, replacement of relays at all Plants, concrete repair and boat launch refurbishment at Lower Plant, and CIP (cyber security) standards compliance,
  - approximately \$15 million for construction of a 161 kV North Transmission Loop, replacement of relays at the Westside Substation and a proposed additional substation, and
  - approximately \$7 million for expansion of the distribution system to meet growth, upgrade existing distribution lines to 12.5 kV and underground cable rejuvenation,

all of the capital projects listed above are scheduled for construction over the next three years.

The current balance in the Rate Stabilization Fund, including amounts being accumulated for capital additions to the System's generation, transmission and distribution facilities, is approximately \$28 million.

Mooney Consulting recommends that IFP set a minimum balance in the Rate Stabilization Fund of \$20 million, excluding amounts being accumulated for specific capital additions. We recommend that the adequacy of the minimum balance be reviewed at least every five years.

### CONCLUSIONS

Based on the information presented in this Report, Mooney Consulting is of the opinion that:

- Continuing the participation in the Slice Product with the Block Product is the most favorable for IFP considering both the benefits and potential risks. Although the product has a take-or-pay requirement, the basis for the product is the federal hydropower system with a long time production history and a demonstrated approach to pricing.
- The Slice Product has risks relating to water variability and other factors which can be mitigated on a year-to-year basis using the IFP Rate Stabilization Fund and access to or participation in one or more thermal resources and timely forward purchases consistent with the Risk Policy.
- IFP should continue to pursue opportunities to establish seasonal exchanges for surplus Slice product energy which can be valuable in more closely matching the resources available to the IFP load.
- Adopt \$20 million as the target minimum amount in the Rate Stabilization Fund (excluding amounts being accumulated for specific capital additions).

### RECOMMENDATIONS

Based on the findings and conclusions above, Mooney Consulting recommends that IFP:

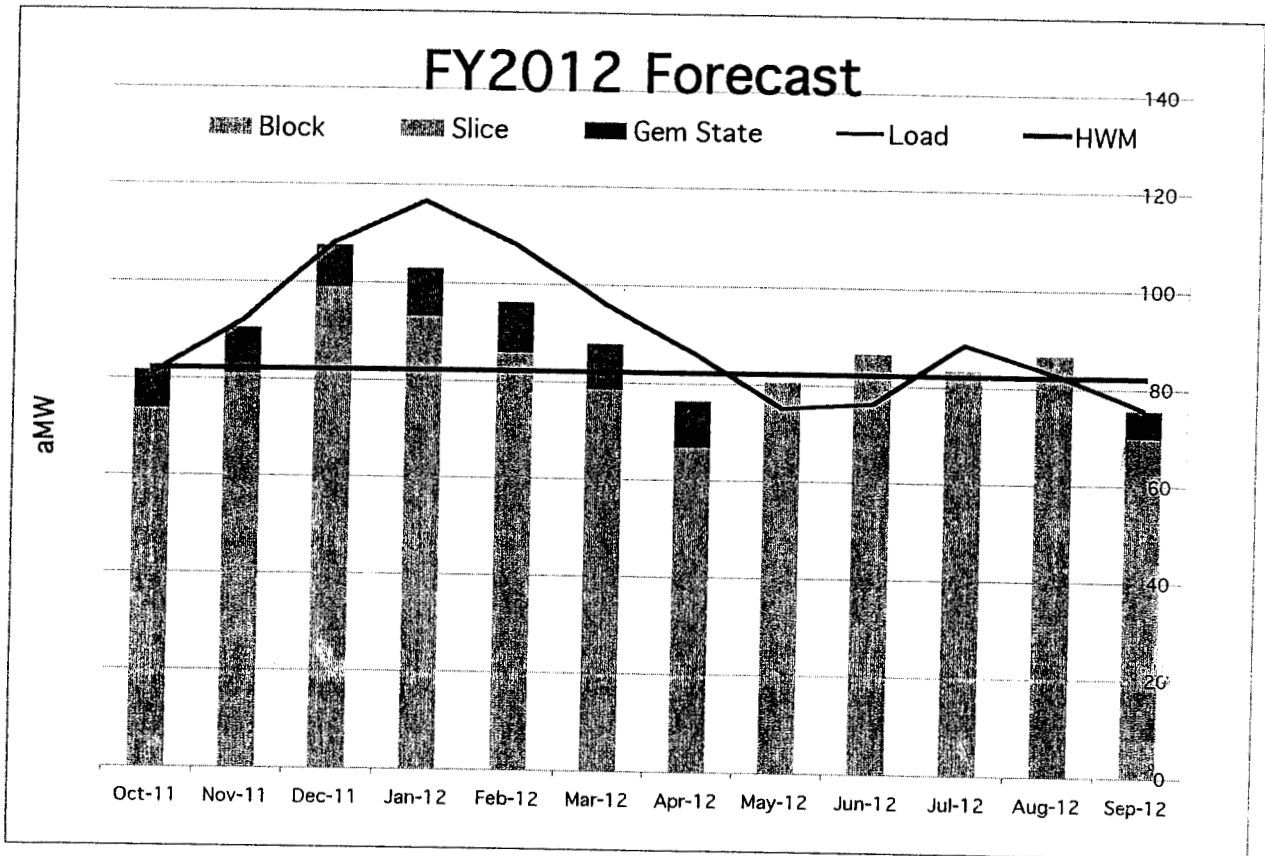
- Subscribe to the maximum amount of the Slice/Block permitted by BPA for the term of the 2011 PSA.
- Seek to establish relationships with one or more entities for seasonal exchanges of surplus output of the Slice product when advantageous to better match IFP's System loads.
- Consider acquiring or constructing a cost-based thermal generating resource as a supplement to the Slice/Block product to partly manage market volatility and

energy shortfalls associated with Critical Water conditions, and to provide additional power supply resources for load growth. Participation with other similarly-situated utilities in new projects should be considered to achieve economies of scale and spread construction and operating risks.

- Enter into power purchase arrangements consistent with the Risk Management Policy to supplement the power supply available from BPA and to meet load variability and growth.
- Maintain sufficient moneys in the Rate Stabilization Fund to manage the inherent variability of hydroelectric generation, to manage IFP's exposure (expected to be limited) to market-based power supplies, and to provide reserves for planned capital improvements to the System, future resource acquisitions and prudent management of IFP.



APPENDIX I



It was noted that the City had purchased the majority of its requirements for electric power and energy from BPA for many years and that the Renewal PSA would continue the City's purchase of the "Slice" and "Block" power supply products (the "*Slice/Block product*") from BPA. The City has been purchasing the Slice/Block product since October 1, 2001, pursuant to a Block and Slice Power Sales Agreement (the "*2001 PSA*") with BPA. The Renewal PSA is the most advantageous power purchase alternative for the City because of, among other things, the full complement of BPA's resources that were committed to support power deliveries under the Renewal PSA and the operational independence and flexibility available to the City under the Renewal PSA. Management of Idaho Falls Power has considered and analyzed the various BPA product supply offerings and other power supply options and agree with the conclusions and recommendations set forth in the Consulting Engineer's Report.

The amount of power and energy available to the City under the Renewal PSA will not be sufficient to meet all of the City's power supply requirements over the 17-year term of the Renewal PSA, and the City will continue to purchase supplemental power supplies to meet its full requirements.

BPA is requiring the City (and each other customer purchasing the Slice/Block product) enter into a Creditworthiness Agreement with BPA (the "*Creditworthiness Agreement*"). The Creditworthiness Agreement enables BPA to confirm and monitor the credit standing of its customers that elect to purchase the Slice product and provides assurances that these customers will meet their payment obligations to BPA. Upon the occurrence of certain events specified in the Creditworthiness Agreement, BPA may require the City to post a letter of credit or cash collateral to secure its payment obligations to BPA. The terms and provisions of the Creditworthiness Agreement were then discussed by the Council.

It was noted that the City has requested that BPA make certain changes and corrections be made to the Renewal PSA and the Creditworthiness Agreement. BPA has provided a letter to the City indicating its willingness to make changes and corrections after execution of the Agreements as follows:

[Attach BPA Letter Agreement]



Department of Energy  
Bonneville Power Administration  
Customer Service Center  
2700 Overland  
Burley, Idaho 83318

FILE  
ROSE

Power Services

November 21, 2008

In reply refer to: PSE/Burley

Jo Elg, Assistant Manager  
Idaho Falls Power  
P.O. Box 50220  
Idaho Falls, Idaho 83405-0220

Jo:

As usual, we had pleasant and productive discussions at the ICUA board meeting and follow-up phone calls afterward. As you are probably aware, Mr. Burr, Idaho Falls Power's outside counsel has had discussions regarding the Creditworthiness Agreement with BPA and BPA is considering his comments.

His thorough review identified three items applicable to all Slice/Block Creditworthiness Agreements and several items specific to Idaho Falls' Regional Dialogue Slice/Block agreement. BPA intends to work through those issues with Idaho Falls and other Slice/Block product purchasers, as applicable, early next year.

Although we are requesting a new Creditworthiness Agreement, Idaho Falls is qualified from a credit perspective and, at this time, does not need to post any form of collateral.

Also, you mentioned some concerns regarding the generation amounts stated in Exhibit A, section 6 for the Bulb Turbines in the Regional Dialogue Slice/Block agreement. The stated amounts are expected generation. The amounts are not intended to reflect the firm component. When IFP dedicates the Bulb Turbines to serve its regional load, BPA, in consultation with Idaho Falls, will determine the firm output these resources. The dedicated firm amounts will be stated in Exhibit A, section 2 or section 3. The critical water year will be the same for Gem State and the Bulb Turbines.

I hope the forgoing is sufficient for Idaho Falls to proceed with its decision to sign the Regional Dialogue Slice/Block agreement, contract number 09PB-13056. Please call if you have additional questions.

Sincerely,

Larry D. King  
Account Executive

cc: Jackie Flowers

Mr. Storer then advised the Council that, under the opinion of the Idaho Supreme Court in *City of Boise v. Frazier*, it is possible that the Renewal PSA could be construed to create an "indebtedness or liability" of the City that is not an "ordinary and necessary expense" within the meaning of Article VIII, Section 3 of the Idaho Constitution. Mr. Storer reminded the Council that the City obtained a judicial confirmation of the 2001 PSA, but advised the Council that the Court's decision in the *Frazier* case raises the question of whether the payment obligations of the City under the Renewal PSA are "ordinary and necessary expenses" within the meaning of Article VIII, Section 3 of the Idaho Constitution. Mr. Storer stated that, while he is of the opinion that the City's payment obligations under the Renewal PSA fall within the "ordinary and necessary expenses" exception, it is his recommendation that the City initiate a proceeding under Idaho's Judicial Confirmation Law to confirm the validity of the Renewal PSA and the Creditworthiness Agreement.

Mr. Storer stated that BPA is requiring execution of the Renewal PSA by December 1, 2008. Mr. Storer noted that the long-term power purchase obligation of the City under the Agreements will not become effective until the City delivers an approving legal opinion to BPA, and that this opinion would not be delivered until the constitutional issues have been resolved. As a result, Mr. Storer advised the Council that it could now authorize and approve the Agreements and the required actions preliminary to the filing of a judicial confirmation proceeding.

The following resolution was then introduced in written form and pursuant to motion duly made and seconded, was adopted and approved by the following vote:

Aye: Karen Cornwell

Ida Hardcastle

Thomas Hally

Michael Lehto

Ken Taylor

Nay: None.

The resolution was thereupon signed by the Mayor, was attested by the City Clerk and was ordered recorded in the official records of the City. The resolution is as follows:

RESOLUTION No. 2008-20

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A RENEWAL POWER SALES AGREEMENT AND A CREDITWORTHINESS AGREEMENT WITH BONNEVILLE POWER ADMINISTRATION, THE COMMENCEMENT OF A JUDICIAL CONFIRMATION PROCEEDING WITH RESPECT TO SUCH AGREEMENTS, AND RELATED MATTERS.

\*\*\*\*\*

WHEREAS, the City of Idaho Falls, Bonneville County, Idaho (the "City") has previously executed a Block and Slice Power Sales Agreement (the "Existing PSA") with the United States of America, Department of Energy, acting by and through the Bonneville Power Administration ("Bonneville"), which will expire on September 30, 2011;

WHEREAS, Bonneville has developed a renewal Power Sales Agreement (the "Renewal PSA") providing for the long-term sale of electric power and energy to the City, effective October 1, 2011 and remaining in effect until September 30, 2028;

WHEREAS, the City has determined that, in order to obtain a long-term supply of electric power and energy necessary for the continued operation of Idaho Falls Power, it is necessary, desirable and in the best interests of the City to enter into a Renewal PSA;

WHEREAS, Bonneville also requires the City to execute a Creditworthiness Agreement (a "Creditworthiness Agreement");

WHEREAS, the City has determined it is necessary and desirable to initiate a judicial confirmation proceeding to confirm that (1) the Renewal PSA and the Creditworthiness Agreement (together, the "Agreements") are authorized by the laws and Constitution of Idaho, (2) the obligations of the City under the Agreements constitute "ordinary and necessary expenses" within the meaning of Article VIII, Section 3 of the Idaho Constitution, and (3) each of the Agreements constitute the legal, valid and binding agreement of the City; and

WHEREAS, the City now desires to authorize and approve (1) the execution and delivery of the Renewal PSA, (2) the execution and delivery of the Creditworthiness Agreement, and (3) the initiation of all preliminary actions necessary prior to the commencement and prosecution of the judicial confirmation proceeding to confirm the validity of the Agreements;

NOW, THEREFORE, BE IT RESOLVED by the City Council of City of Idaho Falls, Bonneville County, Idaho, as follows:

*Section 1. Execution and Delivery of the Renewal PSA.* The Renewal PSA, in substantially the form attached hereto as *Exhibit A*, is hereby authorized and approved, and the Mayor is hereby authorized, empowered and directed to execute and deliver the Renewal PSA on behalf of the City, and the City Clerk is hereby authorized, empowered and directed to attest such



execution and to affix the corporate seal of the City to the Renewal PSA, with such changes to the Renewal PSA from the form attached hereto as *Exhibit A* as shall be approved by the Mayor and the City Attorney, the Mayor's execution thereof to constitute conclusive evidence of such approval.

*Section 2. Execution and Delivery of the Creditworthiness Agreement.* The Creditworthiness Agreement, in substantially the form attached hereto as *Exhibit B*, is hereby authorized and approved, and the Mayor is hereby authorized, empowered and directed to execute and deliver the Creditworthiness Agreement on behalf of the City, and the City Clerk is hereby authorized, empowered and directed to attest such execution and to affix the corporate seal of the City to the Creditworthiness Agreement, with such changes to the Creditworthiness Agreement from the form attached hereto as *Exhibit B* as shall be approved by the Mayor and the City Attorney, the Mayor's execution thereof to constitute conclusive evidence of such approval.

*Section 3. Other Actions with Respect to the Agreements; Further Authority.* (a) The Mayor, the City Clerk, the General Manager and Assistant General Manager of Idaho Falls Power, the City Attorney and other officers and employees of the City shall take all actions necessary or reasonably required to carry out, give effect to, and consummate the transactions contemplated hereby and shall take all actions necessary to carry out the execution and delivery of each of the Agreements and the performance thereof.

(b) The General Manager and Assistant General Manager of Idaho Falls Power are hereby authorized and directed to make such determinations and to take such actions as are required or necessary to give effect to the 2011 PSA, to optimize the power supply provided thereby and to reduce the City's costs and expenses associated therewith; *provided that*, any additional or supplemental power purchase commitments of the City shall be entered into only upon compliance with the provisions of the Risk Management Policy of Idaho Falls Power or upon prior approval by the City Council.

*Section 4. Judicial Confirmation.* The City Attorney, Mayor, City Clerk, the General Manager and Assistant General Manager of Idaho Falls Power and other appropriate officers of the City are hereby authorized and directed to take all preliminary actions necessary prior to the commencement and prosecution of a judicial confirmation proceeding pursuant to the provisions of the Judicial Confirmation Law, Title 7, Chapter 13, Idaho Code, as amended, to confirm and establish that the each of the Agreements constitute legal, valid and binding agreement of the City.

*Section 5. Miscellaneous; Effective Date.* (a) This resolution shall be and remain irrevocable until the expiration or termination of the Renewal PSA in accordance with its terms.

(b) All previous acts and resolutions in conflict with this resolution or any part hereof are hereby repealed to the extent of such conflict.

(c) In case any provision in this resolution shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(d) This resolution shall take effect immediately upon its adoption and approval.

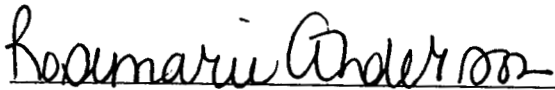
ADOPTED AND APPROVED this 25th day of November, 2008.

CITY OF IDAHO FALLS, BONNEVILLE COUNTY,  
IDAHO

  
\_\_\_\_\_  
Mayor, City of Idaho Falls  
Bonneville County, Idaho

[SEAL]

ATTEST:

  
\_\_\_\_\_  
City Clerk  
City of Idaho Falls  
Bonneville County, Idaho



**EXHIBIT A**

[Attach Form of Renewal PSA]

**POWER SALES AGREEMENT**  
executed by the  
**BONNEVILLE POWER ADMINISTRATION**  
and  
**CITY OF IDAHO FALLS DBA IDAHO FALLS POWER**

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Exhibit A	Net Requirements and Resources
Exhibit B	High Water Marks and Contract Demand Quantities
Exhibit C	Purchase Obligations
Exhibit D	Additional Products and Special Provisions
Exhibit E	Metering
Exhibit F	Scheduling
Exhibit G	Principles of Non-Federal Transfer Service
Exhibit H	Renewable Energy Certificates and Carbon Attributes
Exhibit I	Critical Slice Amounts
Exhibit J	Preliminary Slice Percentage and Initial Slice Percentage
Exhibit K	Annual Determination of Slice Percentage
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Exhibit M	Slice Computer Application
Exhibit N	Slice Implementation Procedures
Exhibit O	Interim Slice Implementation Procedures
Exhibit P	Slice Computer Application Development Schedule
Exhibit Q	Determination of Initial Slice Percentage

This 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 CITY OF IDAHO FALLS DBA IDAHO FALLS POWER (Idaho Falls), hereinafter individually referred to as "Party" and collectively referred to as the "Parties". Idaho Falls is a municipal corporation, organized and authorized under the laws of the State of Idaho to purchase and distribute electric power to serve retail consumers from its distribution system within its service area.

#### RECITALS

Idaho Falls' current power sales agreement (Contract No. 00PB-12173) continues through September 30, 2011, and will be replaced by this Agreement on October 1, 2011.

BPA has functionally separated its organization in order to separate the administration and decision-making activities of BPA's power and transmission functions. References in this Agreement to Power Services or Transmission Services are solely for the purpose of clarifying which BPA function is responsible for administrative activities that are jointly performed.

BPA is authorized to market federal power to qualified entities that are eligible to purchase such power. Under section 5(b)(1) of the Northwest Power Act, BPA is obligated to offer a power sales agreement to eligible customers for the sale and purchase of federal

power to serve their retail consumer load in the Region that is not met by the customer's use of its non-federal resources.

BPA has proposed the adoption of a tiered rate pricing methodology for federal power sold to meet BPA's obligations under section 5(b) of the Northwest Power Act to eligible customers, in order to provide more efficient pricing signals and encourage the timely development of regional power resource infrastructure to meet regional consumer loads under this Agreement.

To effect that purpose, in this Agreement BPA establishes a Contract High Water Mark for Idaho Falls that will define the amounts of power Idaho Falls may purchase from BPA at the Tier 1 Rate, as defined in BPA's Tiered Rate Methodology.

The Parties agree:

**1. TERM**

This Agreement takes effect on the date signed by the Parties for performance of the actions required in advance of deliveries of federal power under this Agreement, as follows:

- (1) section 3, Power Purchase Obligation, excluding the purchase and payment obligations of Idaho Falls under Sections 3.1 and 3.2;
- (2) section 9, Elections to Purchase Power Priced at Tier 2 PF Rates;
- (3) section 17, Information Exchange and Confidentiality;
- (4) section 18, Conservation and Renewables;
- (5) section 19, Resource Adequacy;
- (6) section 22, Governing Law and Dispute Resolution;
- (7) section 25, Termination;
- (8) Exhibit A, Net Requirements and Resources;
- (9) Exhibit B, High Water Marks and Contract Demand Quantities; and,
- (10) Exhibit C, Purchase Obligations.

Section 22, Governing Law and Dispute Resolution will only apply to the extent there is a dispute regarding actions required after the Effective Date in the above referenced sections and exhibits.

This Agreement will be effective for performance of all other actions on the date Idaho Falls delivers a favorable opinion of independent counsel to Idaho Falls with respect to Idaho Falls authorization of this Agreement under the Constitution and laws of the State of Idaho. This Agreement expires on September 30, 2028.

## 2. DEFINITIONS

Capitalized terms below shall have the meaning stated. Capitalized terms that are not listed below are either defined within the section or exhibit in which the term is used, or if not so defined, shall have the meaning stated in BPA's applicable Wholesale Power Rate Schedules, including the General Rate Schedule Provisions (GRSPs). Definitions in **bold** indicate terms that are defined in the TRM and that the Parties agree should conform to the TRM as it may be revised. The Parties agree that if such definitions are revised pursuant to the TRM, they shall promptly amend this Agreement to incorporate such revised definitions from the TRM, to the extent they are applicable.

- 2.1 "5(b)/9(c) Policy" means BPA's Policy on Determining Net Requirements of Pacific Northwest Utility Customers Under sections 5(b)(1) and 9(c) of the Northwest Power Act issued May 23, 2000, and its revisions or successors.
- 2.2 "**7(i) Process**" means a public process conducted by BPA to establish rates for the sale of power and other products pursuant to section 7(i) of the Northwest Power Act or its successor.
- 2.3 "**Above-RHWM Load**" means the forecast annual Total Retail Load, less Existing Resources, NLSLs, and the customer's RHWM, as determined in the RHWM Process.
- 2.4 "Absolute Operating Constraint" means an Operating Constraint that cannot be exceeded under any condition.
- 2.5 "Actual BOS Generation" means the actual generation produced by the BOS Complex, as adjusted for actual Tier 1 System Obligations and RHWM Augmentation.
- 2.6 "Actual Slice Output Energy" or "ASOE" means the actual amount of Idaho Falls Slice Output Energy BPA makes available to Idaho Falls at the Scheduling Points of Receipt.
- 2.7 "Actual Tier 1 System Generation" or "ATSG" means the actual generation produced by the Tier 1 System plus the RHWM Augmentation.
- 2.8 "**Additional CHWM**" means the CHWMs established for **DOE**-Richland, New Publics formed in whole or in part out of loads previously served by an entity other than an Existing Public, and load growth for New Tribal Utilities. Additional CHWM will not include CHWMs for New Publics formed out of Existing Publics or other Initial CHWMs.
- 2.9 "Additional Energy" shall have the meaning as defined in section 5.8.1.
- 2.10 "Additional Slice Amount" shall have the meaning as defined in section 1 of Exhibit Q.

- 2.11 “Adjusted Annual RHWMTier 1 System Capability” or “AART1SC” means the annual RHWMTier 1 System Capability amount, as such amount may be adjusted by BPA pursuant to Exhibit I.
- 2.12 “Algorithm Tuning Parameters” shall have the meaning as defined in section 2 of Exhibit M.
- 2.13 “Annexed Load” means existing load, distribution system, or service territory Idaho Falls acquires after the Effective Date from another utility, by means of annexation, merger, purchase, trade, or other acquisition of rights, the acquisition of which has been authorized by a final state, regulatory or court action. The Annexed Load must be served from distribution facilities that are owned or acquired by Idaho Falls.
- 2.14 “Annual Net Requirement” means BPA’s forecast of Idaho Falls Net Requirement for each Fiscal Year that results from the process established in section 1 of Exhibit A and is shown in the table in section 1.2 of Exhibit A.
- 2.15 “**Augmentation for Additional CHWM**” means the amount of annual average firm energy BPA forecasts, calculated in accordance with sections 3.2.1.1 and 3.2.1.2 of the TRM during the RHWMTier 1 Process, that is equal to the amount of Additional CHWMs used in the calculation of RHWMTier 1 Augmentation.
- 2.16 “**Augmentation for Initial CHWM**” means the amount of annual average firm energy BPA forecasts, during the RHWMTier 1 Process, that will be needed (in addition to the Tier 1 System Firm Critical Output) to meet the Initial CHWM. The amount of energy is restricted by the Augmentation Limit.
- 2.17 “**Augmentation Limit**” means the amount of augmentation calculated by BPA in accordance with section 3.2.1 of the TRM, which establishes the maximum level of augmentation for Initial CHWM.
- 2.18 “Average Megawatts” or “aMW” means the amount of electric energy in megawatt-hours (MWh) during a specified period of time divided by the number of hours in such period.
- 2.19 “**Balancing Authority**” means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.
- 2.20 “**Balancing Authority Area**” means the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority.
- 2.21 “Base Critical Slice Amount” shall have the meaning as defined in section 1 of Exhibit Q.



- 2.22 “Base Slice Percentage” shall have the meaning as defined in section 1 of Exhibit Q.
- 2.23 “Base Tier 1 System Capability” shall have the meaning as defined in section 1 of Exhibit Q.
- 2.24 “Block Product” means a planned amount of Firm Requirements Power sold to Idaho Falls to meet a portion of its regional consumer load pursuant to the terms set forth in section 4 of this Agreement.
- 2.25 “BOS Base” means the forecast generation amounts available from the BOS Complex, as adjusted by BPA for forecast Tier 1 System Obligations and RHWM Augmentation.
- 2.26 “BOS Complex” or “Balance of System Complex” means the Tier 1 System Resources, except those resources that comprise the Coulee-Chief Complex and Lower Columbia Complex.
- 2.27 “BOS Deviation Account” means the account BPA maintains that quantifies the cumulative amount, expressed in MWh, by which Idaho Falls’ hourly BOS Base schedules deviate from the amount determined by multiplying Idaho Falls’ Slice Percentage by the hourly Actual BOS Generation.
- 2.28 “BOS Deviation Return” means the energy amounts associated with the reduction of Idaho Falls’ BOS Deviation Account balance.
- 2.29 “BOS Flex” means the amount by which the BOS Base can reasonably be reshaped within a given calendar day by utilizing the flexibility available from the Lower Snake Complex.
- 2.30 “BOS Module” means the Slice Computer Application module that is used to determine Idaho Falls’ Slice Output Energy and Delivery Limits available from the BOS Complex.
- 2.31 “Business Days” means every Monday through Friday except Federal holidays.
- 2.32 “Bypass Spill” shall have the meaning as defined in section 2 of Exhibit M.
- 2.33 “Calibrated Simulator Discharge” means, for each Simulator Project, Idaho Falls’ simulated discharge as adjusted to reflect such project’s actual H/K, actual Bypass Spill, and actual required Fish Spill, pursuant to section 3.6 of Exhibit M.
- 2.34 “Carbon Credit” shall have the meaning as defined in section 1 of Exhibit H.
- 2.35 “Columbia Generating Station” or “CGS” shall have the meaning as defined in section 5.8.1.
- 2.36 “CGS Displacement” shall have the meaning as defined in section 5.8.1.

- 2.37 "CHWM Contract" means the power sales contract between a customer and BPA that contains a Contract High Water Mark (CHWM), and under which the customer purchases power from BPA at rates established by BPA in accordance with the TRM.
- 2.38 "CHWM Process" means the FY 2011 process, as set forth in section 4.1 of the TRM, through which BPA establishes CHWMs for Existing Customers.
- 2.39 "Combined Maximum Additional Slice Amount" shall have the meaning as defined in section 1 of Exhibit Q.
- 2.40 "Consumer-Owned Resource" means a Generating Resource connected to Idaho Falls' distribution system that is owned by a retail consumer, has a nameplate capability greater than 200 kilowatts, is operated or applied to load, and is not operated occasionally or intermittently as a back-up energy source at times of maintenance or forced outage. Consumer-Owned Resource does not include a resource where the owner of the resource is a retail consumer that exists solely for the purpose of selling wholesale power and for which Idaho Falls only provides incidental service to provide energy for local use at the retail consumer's generating plant for lighting, heat and the operation of auxiliary equipment.
- 2.41 "Contract Demand Quantity" or "CDQ" shall have the meaning as defined in the TRM, the definition of which is recited in section 6.6.1.
- 2.42 "Contract High Water Mark" or "CHWM" shall have the meaning as defined in the TRM, the definition of which is recited in section 6.6.1.
- 2.43 "Contract Resource" means any source or amount of electric power that Idaho Falls acquires from an identified or unidentified electricity-producing unit or units by contract purchase, and for which the amount received by Idaho Falls does not depend on the actual production from an identified Generating Resource.
- 2.44 "Coulee-Chief Complex" means the two hydroelectric projects located in the middle reach of the Columbia River, consisting of Grand Coulee and Chief Joseph.
- 2.45 "Creditworthiness Agreement" means Contract No. 09PB-13257 between BPA and Idaho Falls.
- 2.46 "Critical Slice Amount" means the forecasted amount of Slice Output Energy that Idaho Falls is expected to receive in a Fiscal Year, and is equal to the product of Idaho Falls' Slice Percentage and the Adjusted Annual RHWMTier 1 System Capability. The annual Critical Slice Amount and associated monthly Critical Slice Amounts for each FY are as set forth in Exhibit I.

- 2.47 “Customer Inputs” means the Simulator Project discharge, elevation, or generation requests Idaho Falls develops as inputs to the Simulator pursuant section 3.3 of Exhibit M.
- 2.48 “Dedicated Resource” means a Specified Resource or an Unspecified Resource Amount listed in Exhibit A that Idaho Falls is required by statute to provide or obligates itself to provide under this Agreement for use to serve its Total Retail Load.
- 2.49 “Default User Interface” or “DUI” shall have the meaning as defined in section 5.10.1.
- 2.50 “Delivery Limits” means the limits that govern the availability of Slice Output and the scheduling of Slice Output Energy by Idaho Falls as determined by BPA, and implemented through the Slice Computer Application.
- 2.51 “Delivery Request” means the amount of Slice Output Energy Idaho Falls requests that BPA make available for delivery for any given hour as established per section 7 of Exhibit M.
- 2.52 “**Designated BPA System Obligations**” means the set of obligations specified in Table 3.4 of the TRM, imposed on BPA by statutes, regulations, court order, treaties, executive orders, memoranda of agreement, and contracts that require the generation or delivery of power, forbearance from generating power, or receipt of power, in order to support the operation of the FCRPS, including any obligations to the BPA Balancing Authority (Transmission Services).
- 2.53 “Diurnal” means the division of hours within a month between Heavy Load Hours (HLH) and Light Load Hours (LLH).
- 2.54 “**Diurnal Flattening Service**” or “DFS” means a service that makes a resource that is variable or intermittent, or that portion of such resource that is variable or intermittent, equivalent to a resource that is flat within each of the 24 HLH and LLH periods of a year.
- 2.55 “Due Date” shall have the meaning as described in section 16.2.
- 2.56 “Effective Date” means the date on which this Agreement has been signed by Idaho Falls and BPA.
- 2.57 “Election Year” shall have the meaning as defined in section 5.8.1.
- 2.58 “Elective Spill” means Spill other than Bypass Spill or Fish Spill that occurs at a hydroelectric project and is within such project’s available turbine capacity such that the Spill may otherwise be utilized to produce energy.
- 2.59 “Eligible Slice Customers” shall have the meaning as defined in section 1 of Exhibit Q.

- 2.60 “Environmental Attributes” shall have the meaning as defined in section 1 of Exhibit H.
- 2.61 “Environmentally Preferred Power RECS” or “EPP RECs” shall have the meaning as defined in section 1 of Exhibit H.
- 2.62 “Existing Customer” means a municipal, tribal, public or cooperative utility that is entitled to preference and priority under the Bonneville Project Act, P.L. 75-329 and that was eligible on December 1, 2008, to purchase requirements power at a PF rate or that would be eligible on December 1, 2008, to purchase requirements power at a PF rate.
- 2.63 “Existing Resource” means a Specified Resource listed in section 2 of Exhibit A that Idaho Falls was obligated by contract or statute to use to serve Idaho Falls’ Total Retail Load prior to October 1, 2006.
- 2.64 “**Federal Columbia River Power System**” or “FCRPS” means the integrated power system that includes, but is not limited to, the transmission system constructed and operated by BPA and the hydroelectric dams constructed and operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation in the Pacific Northwest.
- 2.65 “Federal Operating Decision” means a decision made by the Corps, Reclamation, BPA, or the United States Entity of the Columbia River Treaty, in accordance with the authority of each such entity, and as needed to meet Tier 1 System Obligations not already reflected in the Simulator or BOS Module, that establishes the permissible range of operations for any project or projects that comprise the FCRPS.
- 2.66 “FERC” means the Federal Energy Regulatory Commission, or its successor.
- 2.67 “**Firm Critical Output**” means the forecast output from Tier 1 System Resources that is determined in accordance with sections 3.1.3.1, 3.1.3.3, and 3.1.3.4 of the TRM.
- 2.68 “Firm Requirements Power” means federal power that BPA sells under this Agreement and makes continuously available to Idaho Falls to meet BPA’s obligations to Idaho Falls under section 5(b) of the Northwest Power Act.
- 2.69 “**Fiscal Year**” or “FY” means the period beginning each October 1 and ending the following September 30.
- 2.70 “Fish Spill” means Spill that occurs at a hydroelectric project in order to maintain compliance with established fish passage criteria, such as those criteria set forth in biological opinions.
- 2.71 “Flat Annual Shape” means a distribution of energy having the same value of energy in all hours of the year.

- 2.72 "Flat Within-Month Shape" means a distribution of energy having the same average megawatt value of energy in each hour of the month.
- 2.73 "Forced Outage Reserve Service" or "FORS" means a service that provides an agreed-to amount of capacity and energy to load during the forced outages of a qualifying resource.
- 2.74 "Forecast Net Requirement" means a forecast of Idaho Falls' Annual Net Requirement that BPA performs in each RHWM Process.
- 2.75 "Forecast Year" means the Fiscal Year ending one full year prior to the commencement of a Rate Period.
- 2.76 "Forced Spill" shall have the meaning as defined in section 2 of Exhibit M.
- 2.77 "Generating Resource" means any source or amount of electric power from an identified electricity-producing unit, and for which the amount of power received by Idaho Falls or Idaho Falls' retail consumer is determined by the power produced from such identified electricity-producing unit. Such unit may be owned by Idaho Falls or Idaho Falls' retail consumer in whole or in part, or all or any part of the output from such unit may be owned for a defined period by contract.
- 2.78 "Generation Benchmark" shall have the meaning as defined in section 5.8.1.
- 2.79 "H/K" means, prospectively, a hydroelectric project's water-to-energy conversion factor used to forecast such project's potential energy production per unit of turbine discharge, expressed as MW per kcfs, or retrospectively, for any given period of time, the value equal to a hydroelectric project's average Net Generation divided by such project's average turbine discharge, expressed as MW per kcfs.
- 2.80 "Hard Operating Constraint" means an Operating Constraint that may not be exceeded without express consent from project operators, owners, or other federal agencies responsible for establishing such Operating Constraints.
- 2.81 "Heavy Load Hours (HLH)" means hours ending 0700 through 2200 hours Pacific Prevailing Time (PPT), Monday through Saturday, excluding holidays as designated by the North American Electric Reliability Corporation (NERC). BPA may update this definition as necessary to conform to standards of the Western Electricity Coordinating Council (WECC), North American Energy Standards Board (NAESB), or NERC.
- 2.82 "Hydraulic Link Adjustment" means the adjustment to Idaho Falls' simulated McNary inflow that is equal to the difference between Idaho Falls' Calibrated Simulator Discharge for Chief Joseph and the measured Chief Joseph discharge, pursuant to section 3.7 of Exhibit M.
- 2.83 "Incremental Cost" shall have the meaning as defined in section 5.8.1.

- 2.84 "Incremental Side Flows" shall have the meaning as defined in section 2 of Exhibit M
- 2.85 "Initial Slice Customers" shall have the meaning as defined in section 1 of Exhibit Q.
- 2.86 "Initial Slice Percentage" or "ISP" means the percentage that is determined pursuant to section 5.3.2 after January 1, 2009, and prior to May 1, 2011, and is the basis for determining Idaho Falls' Slice Percentage for each Fiscal Year pursuant to section 5.3.3.
- 2.87 "Initial CHWM" means the sum of all Existing Customers' CHWMs determined in the CHWM Process pursuant to section 4.1 of the TRM.
- 2.88 "Integrated Network Segment" shall have the meaning as defined in section 14.1.
- 2.89 "Interchange Points" means the points where Balancing Authority Areas interconnect and at which the interchange of energy between Balancing Authority Areas is monitored and measured.
- 2.90 "Interim Slice Implementation Procedures" shall have the meaning as defined in section 5.10.1.
- 2.91 "Issue Date" shall have the meaning as described in section 16.1.
- 2.92 "Light Load Hours (LLH)" means: (1) hours ending 0100 through 0600 and 2300 through 2400 hours PPT, Monday through Saturday, and (2) all hours on Sundays and holidays as designated by NERC. BPA may update this definition as necessary to conform to standards of the WECC, NAESB, or NERC.
- 2.93 "Logic Control Parameters" shall have the meaning as defined in section 2 of Exhibit M
- 2.94 "Lower Columbia Complex" or "LCOL Complex" means the four hydroelectric projects located on the lower reach of the Columbia River, consisting of McNary, John Day, The Dalles, and Bonneville.
- 2.95 "Lower Snake Complex" or "LSN Complex" means the four hydroelectric projects located on the lower reach of the Snake River, consisting of Lower Granite, Little Goose, Lower Monumental, and Ice Harbor.
- 2.96 "Majority" shall have the meaning as defined in section 5.12.1.
- 2.97 "Maximum Additional Slice Amount" shall have the meaning as defined in section 1 of Exhibit Q.
- 2.98 "Maximum Slice Amount" shall have the meaning as defined in section 1 of Exhibit Q.

- 2.99 "Megawatt-day" or "Mwd" means a unit of electrical energy equal to 24 megawatt-hours.
- 2.100 "Monthly Reimbursement Value" means the value determined by dividing the amount Idaho Falls is billed for a month under the applicable Customer Charges, as described pursuant to section 5.1 of the TRM, by the sum of: (1) Idaho Falls' ASOE for such month and (2) the amount of Idaho Falls' Surplus Slice Output energy that is curtailed during such month.
- 2.101 "Monthly Shaping Factors" means the monthly factors, as specified in section 1.2 of Exhibit C, that are multiplied by Idaho Falls' annual Tier 1 Block Amount in order to determine Idaho Falls' monthly Tier 1 Block Amounts for each month of a Fiscal Year.
- 2.102 "Multiyear Hydroregulation Study" shall have the meaning as defined in section 2 of Exhibit N.
- 2.103 "Net Generation" means the total electric energy produced at a hydroelectric project as reduced by the electric energy consumed by such project for station service purposes.
- 2.104 "Net Requirement" means the amount of federal power that Idaho Falls is entitled to purchase from BPA to serve its Total Retail Load minus amounts of Idaho Falls' Dedicated Resources shown in Exhibit A, as determined consistent with section 5(b)(1) of the Northwest Power Act.
- 2.105 "New Large Single Load" or "NLSL" has the meaning specified in section 3(13) of the Northwest Power Act and in BPA's NLSL policy.
- 2.106 "New Resource" means: (1) a Specified Resource listed in section 2 of Exhibit A that Idaho Falls was or is first obligated by contract, or was or is obligated by statute, to use to serve Idaho Falls' Total Retail Load after September 30, 2006, and (2) any Unspecified Resource Amounts listed in Exhibit A.
- 2.107 "Northwest Power Act" means the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. §839, Public Law No. 96-501, as amended.
- 2.108 "Notice Deadlines" means the dates established in section 9.1.1.
- 2.109 "Onsite Consumer Load" means the electric load of an identified retail consumer of Idaho Falls that is directly interconnected or electrically interconnected on the same portion of Idaho Falls' distribution system with a Consumer-Owned Resource of that same identified retail consumer such that no transmission schedule is needed to deliver the generation from the Consumer-Owned Resource to the consumer load.

- 2.110 "Operating Constraints" means the operating limits, project operating requirements, and non-power constraints that are the result of implementing Federal Operating Decisions or Prudent Operating Decisions.
- 2.111 "Operating Plan" shall have the meaning as defined in section 5.8.1.
- 2.112 "Operating Rule Curves" or "ORC" means the forebay operating limits established for a reservoir pursuant to operating agreements in effect, and as modified to reflect Operating Constraints, that are used to determine such reservoir's upper forebay operating limit (upper ORC) or lower forebay operating limit (lower ORC).
- 2.113 "Operating Year" means the period, beginning each August 1 and ending the following July 31, that is designated under the Pacific Northwest Coordination Agreement (PNCA) for resource planning and operational purposes.
- 2.114 "Pacific Northwest Coordination Agreement" or "PNCA" means Contract No. 97PB-10130, as such agreement may be amended or replaced, among BPA, the U.S. Army Corps of Engineers, the Bureau of Reclamation, and certain generating utilities in the Region that sets forth the terms and conditions for the coordinated operation of generating resources in the Region.
- 2.115 "Point of Delivery" or "POD" means the point where power is transferred from a transmission provider to Idaho Falls.
- 2.116 "Point of Metering" or "POM" means the point at which power is measured.
- 2.117 "Power Services" means the organization, or its successor organization, within BPA that is responsible for the management and sale of Federal power.
- 2.118 "Preliminary Net Requirement" shall have the meaning as defined in section 10.1.
- 2.119 "Preliminary Slice Amount" shall have the meaning as defined in section 1 of Exhibit Q.
- 2.120 "Preliminary Slice Percentage" means a preliminary Slice Percentage that is established and set forth in Exhibit J as of the Effective Date.
- 2.121 "Primary Points of Receipt" shall have the meaning as defined in section 14.1.
- 2.122 "Project Storage Bounds" or "PSB" means the Storage Content amounts associated with the upper ORC and lower ORC in effect at a project.
- 2.123 "Prudent Operating Decision" means a decision made by Power Services operations staff, in their exercise of reasonable judgment, that modifies the operating range applied to any project or projects that comprise the FCRPS



for the purpose of meeting any BPA obligation, including but not limited to Federal Operating Decisions, except actions taken by Power Services solely to sell surplus power to loads BPA is not contractually obligated to serve under section 5 of the Northwest Power Act. Prudent Operating Decisions are applied for a finite period of time and in a manner that proportionally affects the amount of power from such project or projects that is available to BPA, to Idaho Falls under this Agreement, and to other Slice Customers under their respective Slice/Block Power Sales Agreements.

- 2.124 "Purchase Periods" means the time periods established in section 9.1.1.
- 2.125 "Quorum" shall have the meaning as defined in section 5.12.1.
- 2.126 "Rate Case Year" means the Fiscal Year ending prior to the commencement of a Rate Period. The Rate Case Year immediately follows the Forecast Year and is the year in which the 7(i) Process for the next Rate Period is conducted.
- 2.127 "**Rate Period**" means the period of time during which a specific set of rates established by BPA pursuant to the TRM is intended to remain in effect.
- 2.128 "Rate Period High Water Mark" or "RHWM" shall have the meaning as defined in the TRM, the definition of which is recited in section 6.6.1.
- 2.129 "Region" means the Pacific Northwest as defined in section 3(14) of the Northwest Power Act.
- 2.130 "Renewable Energy Certificates" or "RECs" shall have the meaning as defined in section 1 of Exhibit H.
- 2.131 "Requirements Slice Output" or "RSO" means, for each month, the portion of Idaho Falls' Slice Output Energy that is equal to the lesser of: (1) Idaho Falls' Critical Slice Amount for such month; (2) Idaho Falls' Annual Net Requirement for such month, less monthly amounts purchased under the Block Product, as specified in Exhibit C; or (3) Idaho Falls' actual Net Requirement for such month, less monthly amounts purchased under the Block Product, as specified in Exhibit C.
- 2.132 "Resource Support Services" or "RSS" means the Diurnal Flattening Service and Forced Outage Reserve Service BPA provides to support resources that are renewable resources and are Specified Resources used to serve Total Retail Load after September 30, 2006, and may in the future include other related services that are priced in the applicable 7(i) Process consistent with the TRM.
- 2.133 "**RHWM Augmentation**" means the amount of augmentation to the Tier 1 System Firm Critical Output BPA calculates in each RHWM Process that is needed to meet the total of all RHWMs. This calculation assumes every customer is able to purchase at Tier 1 Rates up to its full RHWM and is

determined by adding Augmentation for Initial CHWM and Augmentation for Additional CHWM.

2.134 “**RHWM Process**” means a public process BPA conducts, during the Forecast Year prior to each 7(i) Process (beginning with the WP-14 7(i) Process), in which BPA will calculate, as described in section 4.2 of the TRM, the following values for the upcoming Rate Period:

- (1) RHWM Tier 1 System Capability, including RHWM Augmentation;
- (2) each customer’s RHWM;
- (3) each customer’s Forecast Net Requirement; and
- (4) each customer’s Above-RHWM Load.

2.135 “**RHWM Tier 1 System Capability**” means the Tier 1 System Firm Critical Output plus RHWM Augmentation.

2.136 “**RP Augmentation**” means the 7(i) Process forecast of the amount of power BPA needs on an annual basis to purchase for each Rate Period to meet all customers’ Forecast Tier 1 Load.

2.137 “**SCA**” or “**Slice Computer Application**” means BPA’s proprietary computer hardware, software and related processes, developed, updated, and maintained by BPA and consisting of: (1) the Simulator; (2) the BOS Module; (3) the Default User Interface; and (4) other related processes, including but not limited to communications, scheduling, electronic tagging and accounting for Slice Output Energy, all as described in Exhibit M.

2.138 “**SCA Functionality Test**” shall have the meaning as defined in section 5.10.1.

2.139 “**SCA Implementation Date**” shall have the meaning as defined in section 5.10.1.

2.140 “**SCA Pass Date**” shall have the meaning as defined in section 5.10.1.

2.141 “**Scheduling Hour XX**” means the 60-minute period ending at XX:00. For example, Scheduling Hour 04 means the 60-minute period ending at 4:00 a.m.

2.142 “**Scheduling Points of Receipt**” shall have the meaning as defined in section 14.1.

2.143 “**Simulated Operating Scenario**” means the simulated operation of the Simulator Projects, including the discharge amounts, generation amounts, and forebay elevations, as determined by the Simulator.

- 2.144 "Simulated Output Energy Schedule(s)" means the amount of energy that is calculated by the Simulator as Idaho Falls' simulated generation amount associated with each Simulator Project.
- 2.145 "Simulator" or "Slice Water Routing Simulator" means the Slice Computer Application (SCA) module used to determine Idaho Falls' Slice Output and Delivery Limits available from the Simulator Projects.
- 2.146 "Simulator Initialization Time" shall have the meaning as defined in section 2 of Exhibit M.
- 2.147 "Simulator Modeling Period" shall have the meaning as defined in section 2 of Exhibit M.
- 2.148 "Simulator Parameters" means the operating parameters applicable to the Simulator Projects and which BPA develops as inputs to the Simulator to reflect Operating Constraints, pursuant to section 3.2 of Exhibit M.
- 2.149 "Simulator Pass Date" shall have the meaning as defined in section 5.10.1.
- 2.150 "Simulator Performance Test" shall have the meaning as defined in section 5.10.1.
- 2.151 "Simulator Project(s)" means any of the hydroelectric projects represented in the Simulator, including those projects that comprise the Coulee-Chief Complex and the Lower Columbia Complex.
- 2.152 "Slice/Block Power Sales Agreement" means this Agreement and all other agreements with Slice Customers that provide for the sale of the Slice/Block Product.
- 2.153 "Slice/Block Product" means Idaho Falls' purchase obligation under the Slice Product and the Block Product to meet its regional consumer load obligation as described in section 3.1.
- 2.154 "Slice Customers" means all BPA customers that have executed a Slice/Block Power Sales Agreement.
- 2.155 "Slice Implementation Group" or "SIG" means the group that includes representatives from BPA, Idaho Falls, and all other Slice Customers established pursuant to section 5.12.
- 2.156 "Slice Output" means the quantities of energy, peaking energy, storage, and ramping capabilities available from the Tier 1 System Resources, as adjusted for Tier 1 System Obligations and established pursuant to the SCA or an alternate procedure under section 5.10 or Exhibit O, that Idaho Falls is entitled to purchase under the Slice Product, as determined by applying Idaho Falls' Slice Percentage to such quantities.

- 2.157 "Slice Output Energy" means the energy made available to Idaho Falls under the Slice Product.
- 2.158 "Slice Percentage" means the percentage set forth in section 2 of Exhibit K applicable during each Fiscal Year that is used to determine the Slice Output that is made available to Idaho Falls.
- 2.159 "Slice Percentage Adjustment Ratio" or "SPAR" shall have the meaning as defined in section 1.1 of Exhibit K.
- 2.160 "Slice Percentage Determination Requirements Load" shall have the meaning as defined in section 1 of Exhibit Q
- 2.161 "Slice Product" means BPA's power product under which Slice Output as defined herein is sold to Idaho Falls pursuant to the terms and conditions set forth in section 5 of this Agreement.
- 2.162 "Slice Storage Account" or "SSA" shall have the meaning as defined in section 2 of Exhibit N.
- 2.163 "Slice True-Up Adjustment Charge" means the amount charged to each Slice Product customer determined in the Slice True-Up Adjustment in accordance with section 2.7 of the TRM.
- 2.164 "Soft Operating Constraint" means an Operating Constraint, other than a Hard or Absolute Operating Constraint, that is to be achieved on a day-ahead planning basis, but may be exceeded in real-time after coordinating with project operators, owners, or other federal agencies responsible for establishing such Operating Constraints.
- 2.165 "Specified Resource" means a Generating Resource or Contract Resource that has a nameplate capability or maximum hourly purchase amount greater than 200 kilowatts, that Idaho Falls is required by statute or has agreed to use to serve its Total Retail Load. Each such resource is identified as a specific Generating Resource or as a specific Contract Resource with identified parties and is listed in sections 2 and 4 of Exhibit A.
- 2.166 "Spill" means water that passes a hydroelectric project without producing energy, including Bypass Spill, Elective Spill, Fish Spill, and Forced Spill.
- 2.167 "Statement of Intent" shall have the meaning as defined in section 2.3 of Exhibit C.
- 2.168 "Storage" means the ability of the Tier 1 System Resources to alter energy production among hours, days, and months by impounding water or releasing impounded water.
- 2.169 "Storage Content" means the amount of water stored in a project's reservoir, expressed in thousands of second-foot-days (ksfd). The Storage Content is typically calculated based on a conversion of such reservoir's measured

forebay elevation, expressed in feet, to ksfd through the use of an established elevation-to-content conversion table.

- 2.170 "Storage Energy" means the amount of energy that would be produced if a project released a specified amount of Storage Content, and is determined by multiplying such Storage Content by a specified H/K, such as the project's at-site H/K or the combined H/K of the project and specified downstream projects.
- 2.171 "Storage Offset Account" or "SOA" means the account BPA maintains that records the cumulative amount by which Idaho Falls' simulated Storage Content associated with each Simulator Project deviates from the actual Storage Content for each such Simulator Project.
- 2.172 "Super Majority" shall have the meaning as defined in section 5.12.1.
- 2.173 "Surplus Firm Power" means firm power that is in excess of BPA's obligations, including those incurred under sections 5(b), 5(c), and 5(d) of the Northwest Power Act, as available.
- 2.174 "Surplus Slice Output" means, for any month, the amount of Slice Output Energy (and associated capacity) that is available to Idaho Falls under section 5 of this Agreement that exceeds Idaho Falls' Requirements Slice Output for any such month.
- 2.175 "Third Party Transmission Provider" means a transmission provider other than BPA that delivers power to Idaho Falls.
- 2.176 "Tier 1 Block Amount" means the amount of Firm Requirements Power made available to Idaho Falls under the Block Product that is sold at Tier 1 Rates.
- 2.177 "Tier 1 Rate" means the Tier 1 Rate as defined in the TRM.
- 2.178 "Tier 1 RECs" shall have the meaning as defined in section 1 of Exhibit H.
- 2.179 "Tier 1 System" means the collection of resources and contract purchases that comprise the Tier 1 System Resources and the collection of contract loads and obligations that comprise the Designated BPA System Obligations.
- 2.180 "Tier 1 System Capability" means the Tier 1 System Firm Critical Output plus RP Augmentation.
- 2.181 "Tier 1 System Firm Critical Output" means the Firm Critical Output of Tier 1 System Resources less Tier 1 System Obligations.
- 2.182 "Tier 1 System Obligations" the amount of energy and capacity that BPA forecasts for the Designated BPA System Obligations over a specific time period.

- 2.183 "Tier 1 System Resources" means the Federal System Hydro Generation Resources listed in Table 3.1 of the TRM; the Designated Non-Federally Owned Resources listed in Table 3.2 of the TRM; and the Designated BPA Contract Purchases listed in Table 3.3 of the TRM.
- 2.184 "Tier 2 Block Amount" means the amount of Firm Requirements Power made available to Idaho Falls under the Block Product that is sold at Tier 2 Rates.
- 2.185 "Tier 2 Cost Pools" means all of the Cost Pools to which Tier 2 Costs will be allocated by BPA.
- 2.186 "Tier 2 Load Growth Rate" means a Tier 2 Rate at which Load Following customers may elect to purchase Firm Requirements Power in accordance with section 2.2 of Exhibit C.
- 2.187 "Tier 2 Rate" means the Tier 2 Rate as defined in the TRM.
- 2.188 "Tier 2 RECs" shall have the meaning as defined in section 1 of Exhibit H.
- 2.189 "Tier 2 Short-Term Rate" means a Tier 2 Rate at which customers may elect to purchase Firm Requirements Power in accordance with section 2.4 of Exhibit C.
- 2.190 "Tier 2 Vintage Rate" means a Tier 2 Rate at which customers may elect to purchase Firm Requirements Power in accordance with section 2.3 of Exhibit C.
- 2.191 "Tiered Rate Methodology" or "TRM" means the long-term methodology established by BPA in a Northwest Power Act section 7(i) hearing as the Tiered Rate Methodology to implement the Policy (as defined in the TRM) construct of tiering BPA's Priority Firm Power rates for serving load under CHWM Contracts.
- 2.192 "Total Retail Load" means all retail electric power consumption, including electric system losses, within Idaho Falls' electrical system excluding:
- (1) those loads BPA and Idaho Falls have agreed are nonfirm or interruptible loads
  - (2) transfer loads of other utilities served by Idaho Falls
  - (3) any loads not on Idaho Falls' electrical system or not within Idaho Falls' service territory, unless specifically agreed to by BPA
- 2.193 "Transfer Service" means the transmission, distribution and other services provided by a Third Party Transmission Provider to deliver electric energy and capacity over its transmission system.

- 2.194 "Transmission Services" means the organization, or its successor organization, within BPA that is responsible for the management and sale of transmission service on the Federal Columbia River Transmission System.
- 2.195 "Uncontrollable Force" shall have the meaning as defined in section 21.
- 2.196 "Unsold Slice Amount" shall have the meaning as defined in section 1 of Exhibit Q.
- 2.197 "Unsold Slice Percentage" shall have the meaning as defined in section 1 of Exhibit Q.
- 2.198 "Unspecified Resource Amount" means an amount of firm energy, listed in sections 3 and 4 of Exhibit A, that Idaho Falls has agreed to supply and use to serve its Total Retail Load. Such amount is not attributed to a Specified Resource.

### 3. SLICE/BLOCK POWER PURCHASE OBLIGATION

#### 3.1 Slice/Block Product Purchase Obligation

Commencing on October 1, 2011, and continuing for the duration of this Agreement, BPA shall sell to Idaho Falls, and Idaho Falls shall purchase from BPA, the Slice/Block Product, which includes: (1) a planned amount of Firm Requirements Power under the Block Product as set forth in sections 1 and 2 of Exhibit C; and (2) Slice Output under the Slice Product pursuant to section 5 and Exhibit K.

#### 3.2 Take or Pay

Idaho Falls shall pay rates established by BPA in a 7(i) Process, for: (1) the amounts of Firm Requirements Power that BPA makes available under the Block Product that Idaho Falls is obligated to purchase pursuant to section 3.1(1), and (2) the Slice Output, including the amounts of Slice Output Energy that BPA makes available under the Slice Product that Idaho Falls is obligated to purchase pursuant to section 3.1(2). Idaho Falls shall pay such rates regardless of whether or not Idaho Falls takes delivery of such amounts of Firm Requirements Power and Slice Output Energy.

#### 3.3 Application of Dedicated Resources

Idaho Falls agrees to serve a portion of its Total Retail Load with the Dedicated Resources listed in Exhibit A as follows:

- (1) Specified Resources that are Generating Resources shall be listed in section 2.1 of Exhibit A,
- (2) Specified Resources that are Contract Resources shall be listed in section 2.2 of Exhibit A, and
- (3) Unspecified Resource Amounts shall be listed in section 3.1 of Exhibit A.

Idaho Falls shall use its Dedicated Resources to serve its Total Retail Load, and specify amounts of its Dedicated Resources in the tables shown in Exhibit A, as stated below for each specific resource and type.

### 3.3.1 Specified Resources

#### 3.3.1.1 Application of Specified Resources

Idaho Falls shall use the output of all Specified Resources, listed in section 2 of Exhibit A, to serve Idaho Falls' Total Retail Load. BPA shall determine Idaho Falls' Net Requirement using the amounts listed in the then current Exhibit A for each Fiscal Year. The amounts listed are not intended to interfere with Idaho Falls' operation of its Specified Resources.

#### 3.3.1.2 Determining Specified Resource Amounts

Idaho Falls shall state, for each Specified Resource listed in section 2 of Exhibit A, firm energy amounts for each Diurnal period and peak amounts for each month beginning with the later of the date the resource was dedicated to load or October 1, 2011, through the earlier of the date the resource will be permanently removed or September 30, 2028. BPA in consultation with Idaho Falls shall determine the firm energy amounts for each Diurnal period and peak amounts for each month for each Specified Resource consistent with the 5(b)/9(c) Policy. BPA shall update the peak amounts listed in section 2 of Exhibit A pursuant to section 3.4.

### 3.3.2 Unspecified Resource Amounts

#### 3.3.2.1 Application of Unspecified Resource Amounts

To serve Above-RHWM Load that Idaho Falls commits to meet with Dedicated Resources in Exhibit C, Idaho Falls shall provide and use Unspecified Resource Amounts to meet any amounts not met with its Specified Resources listed in section 2 of Exhibit A.

#### 3.3.2.2 Determining Unspecified Resource Amounts

By September 15, 2011, and by each September 15 thereafter, the Parties shall calculate, and BPA shall fill in the tables in section 3.1 of Exhibit A with, Idaho Falls' Unspecified Resource Amounts for the upcoming Fiscal Year. Upon termination or expiration of this Agreement any Unspecified Resource Amounts listed in Exhibit A shall expire, and Idaho Falls shall have no further obligation to apply Unspecified Resource Amounts.

### 3.4 Peak Amount Methodologies



**3.4.1 Standard for Calculating Resource Peak Amounts**

The peak amounts for Idaho Falls' Specified Resources will be stated at a future time in Exhibit A. Such resource peak amounts will be developed contemporaneously and consistent with the determination of peak energy amounts pursuant to Section 3.4.2. If BPA determines it is necessary to update such resource peak amounts in order to incorporate different resource peaking capability determination standards, then BPA may, consistent with BPA's 5(b)/9(c) Policy and in accordance with section 3.4.3, develop and apply such revised resource peaking capability determination standards.

**3.4.2 Method for Determining Peak Energy Amounts**

The amounts of peaking energy Idaho Falls has purchased to meet its firm power load will be stated at a future time in Exhibit A. Until such time that peak energy amounts are stated in Exhibit A, the amounts of peaking energy available to Idaho Falls are as provided under the Block Product and as calculated by the Slice Computer Application. BPA may adopt a methodology for calculating the amounts of peaking energy available to Idaho Falls under this Agreement. Before peak energy amounts may be applied in Exhibit A, BPA shall: (1) complete a process to adopt a methodology, pursuant to section 3.4.3, which shall include a calculation of Idaho Falls' total peak load, Idaho Falls' peaking energy capability from its resources, and BPA's peaking energy capability for the Federal system, and (2) upon completion of such process, in consultation with Idaho Falls calculate the peak energy amounts in accordance with the methodology adopted and enter such amounts into Exhibit A. The application of any such methodology shall not by itself reduce BPA's obligation to provide peaking energy otherwise available under this Agreement to less than Idaho Falls' net requirement peak stated in Exhibit A. BPA and Idaho Falls shall take such actions and make such modifications, including to the Slice Computer Application, needed to timely implement any such methodology.

**3.4.3 Process for Modifying Peak Amounts**

Any methodology for determining the peak energy capability of Specified Resources as described in section 3.4.1, or Idaho Falls' peak energy amounts available from BPA under this Agreement, as described in section 3.4.2, will be developed by BPA in a public process, including consultation with Idaho Falls and other interested parties, a formal public comment process, and a record of decision. Except as otherwise agreed by Idaho Falls and BPA, any such methodology shall not require modification of the peak amount of any Specified Resource, or the peak energy amounts listed in Exhibit A, until the first Fiscal Year of the Rate Period following BPA's written notice to implement the revised peaking capability standard, which shall be given to Idaho Falls at least 180 days before the start of such Fiscal Year.

### 3.5 Changes to Dedicated Resources

#### 3.5.1 Specified Resource Additions to Meet Above-RHWM Load

By written notice to BPA, Idaho Falls may elect to add Specified Resources to section 2 of Exhibit A to meet any obligations Idaho Falls may have in Exhibit C to serve its Above-RHWM Load with Dedicated Resources. Idaho Falls shall determine amounts for such Specified Resources in accordance with section 3.3.1.2 by June 30, 2011, and by June 30 of each Fiscal Year thereafter. BPA shall revise Exhibit A consistent with Idaho Falls' elections.

#### 3.5.2 Resource Additions for a BPA Insufficiency Notice

If BPA provides Idaho Falls a notice of insufficiency and reduces its purchase obligation, in accordance with section 23.2, then Idaho Falls may add Dedicated Resources to replace amounts of Firm Requirements Power BPA will not be providing due to insufficiency. The Parties shall revise Exhibit A to reflect such additions.

#### 3.5.3 Decrements for 9(c) Export

If BPA determines, in accordance with section 23.6, that an export of a Specified Resource listed in section 2 of Exhibit A requires a reduction in the amount of Firm Requirements Power BPA sells Idaho Falls then BPA shall notify Idaho Falls of the amount and duration of the reduction in Idaho Falls' Firm Requirements Power purchases from BPA. Within 20 days of such notification Idaho Falls may add a Specified Resource to section 2 of Exhibit A in the amount of such decrement. If Idaho Falls does not add a Specified Resource to meet such decrement, then within 30 days of such notification BPA shall add Unspecified Resource Amounts to section 3.2 of Exhibit A in the amount and for the duration of such decrement.

#### 3.5.4 Temporary Resource Removal

By September 15, 2011, and by September 15 of each Fiscal Year thereafter, BPA shall revise Idaho Falls' Dedicated Resource amounts listed in the tables of Exhibit A consistent with Idaho Falls' resource removal elections made in accordance with section 10.

#### 3.5.5 Permanent Discontinuance of Resources

Idaho Falls may permanently remove a Specified Resource listed in section 2 of Exhibit A, consistent with the 5(b)/9(c) Policy on statutory discontinuance for permanent removal. If BPA makes a determination that Idaho Falls' Specified Resource has met BPA's standards for a permanent removal, then BPA shall revise Exhibit A accordingly. If Idaho Falls does not replace such resource with another Dedicated Resource, then Idaho Falls' additional Firm Requirements Power purchases under this Agreement, as a result of such a resource removal, may be subject to additional rates or charges as established in the Wholesale Power Rate Schedules and GRSPs.

**3.5.6 Resource Additions for Annexed Loads**

If Idaho Falls acquires an Annexed Load after the Effective Date, Idaho Falls shall add Dedicated Resources to Exhibit A to serve amounts of such load for which Idaho Falls did not receive a CHWM addition pursuant to section 1.2.2 of Exhibit B. Idaho Falls shall serve such load with Dedicated Resources for the remainder of the Purchase Period during which Idaho Falls acquires such load. Idaho Falls may only purchase Firm Requirements Power at Tier 2 Rates to serve such Annexed Load amounts, if Idaho Falls has provided BPA with its election by a Notice Deadline for such power purchase at Tier 2 during the corresponding Purchase Period.

**3.5.7 Resource Additions/Removals for NLSLs**

3.5.7.1 To serve an NLSL listed in Exhibit D that is added after the Effective Date, Idaho Falls may add Dedicated Resources to section 4 of Exhibit A. Idaho Falls may discontinue serving its NLSL with the Dedicated Resources listed in section 4 of Exhibit A if BPA determines that Idaho Falls' NLSL is no longer an NLSL in Idaho Falls' service territory.

3.5.7.2 If Idaho Falls elects to serve an NLSL with Dedicated Resources, then Idaho Falls shall specify in section 4 of Exhibit A the maximum monthly and Diurnal Dedicated Resource amounts that Idaho Falls plans to use to serve the NLSL. Idaho Falls shall establish such firm energy amounts for each month beginning with the date the resource was dedicated to load through the earlier of the date the resource will be removed or September 30, 2028. Idaho Falls shall serve the actual load of the NLSL up to such maximum amounts with such Dedicated Resource amounts. To the extent that the NLSL load is less than the maximum amount in any monthly or Diurnal period, Idaho Falls shall have no right or obligation to use such amounts to serve the non-NLSL portion of its Total Retail Load. Specific arrangements to match such resources to the NLSL on an hourly basis shall be established in Exhibit D.

**3.5.8 PURPA Resources**

If Idaho Falls is required by the Public Utility Regulatory Policies Act (PURPA) to acquire output from a Generating Resource, then such output shall be added as a Specified Resource pursuant to Exhibit A.

**3.6 Consumer-Owned Resources**

Except for any Consumer-Owned Resources serving an NLSL, which Idaho Falls has applied to load consistent with section 23.3.7, Idaho Falls shall apply the output of its Consumer-Owned Resources as follows:

**3.6.1 Existing Consumer-Owned Resources**

Idaho Falls has designated, in sections 7.1, 7.2, or 7.3 of Exhibit A, the extent that each existing Consumer-Owned Resource as of the Effective Date will or will not serve Onsite Consumer Load. Such designation shall apply for the term of this Agreement.

**3.6.2 New Consumer-Owned Resources**

Idaho Falls shall designate the extent that each Consumer-Owned Resource commencing commercial operation after the Effective Date will or will not serve Onsite Consumer Load. Idaho Falls shall make such designation to BPA in writing within 120 days of the first production of energy by such resource. Such designation shall apply for the term of this Agreement.

Consistent with Idaho Falls' designations, BPA shall list Consumer-Owned Resources serving Onsite Consumer Load in section 7.1 of Exhibit A, Consumer-Owned Resources not serving Onsite Consumer Load in section 7.2 of Exhibit A, and Consumer-Owned Resources serving both Onsite Consumer Load and load other than Onsite Consumer Load in section 7.3 of Exhibit A.

**3.6.3 Application of Consumer-Owned Resources Serving Onsite Consumer Load**

Power generated from Consumer-Owned Resources listed in section 7.1 of Exhibit A shall serve Idaho Falls' Onsite Consumer Load. Idaho Falls shall receive no compensation from BPA for excess power generated on any hour from such resources.

**3.6.4 Application of Consumer-Owned Resources Serving Load Other than Onsite Consumer Load**

Idaho Falls shall ensure that power generated from Consumer-Owned Resources listed in section 7.2 of Exhibit A is scheduled for delivery and either: (1) sold to another utility in the Region to serve its Total Retail Load, (2) purchased by Idaho Falls to serve its Total Retail Load (consistent with section 3.3), (3) marketed as an export, or (4) any combination of (1), (2), and (3) above.

**3.6.5 Application of Consumer-Owned Resources Serving Both Onsite Consumer Load and Load Other than Onsite Consumer Load**

If Idaho Falls designates a Consumer-Owned Resource to serve both Onsite Consumer Load and load other than Onsite Consumer Load then Idaho Falls shall select either Option A or Option B below.

**3.6.5.1 Option A: Maximum Amounts Serving Onsite Consumer Load**

If Idaho Falls selects this Option A, then Idaho Falls shall specify, in section 7.3 of Exhibit A, the maximum hourly amounts of an identified Onsite Consumer Load that are to be served with power generated by an identified Consumer-

Owned Resource. Such amounts shall be specified as Diurnal megawatt amounts, by month, and shall apply in all years for the term of this Agreement. Such amounts are not subject to change in accordance with section 3.6.6.

On any hour that the Onsite Consumer Load is less than the specified maximum hourly amounts, all such Onsite Consumer Load shall be served by Idaho Falls with the identified Consumer-Owned Resource or with power other than Firm Requirements Power. Any hourly amounts of the identified Onsite Consumer Load in excess of the specified maximum hourly amounts shall be served with Firm Requirements Power. Any power generated from the identified Consumer-Owned Resource in excess of the specified maximum hourly amounts shall be applied to load other than Onsite Consumer Load in accordance with section 3.6.4.

**3.6.5.2 Option B: Maximum BPA-Served Onsite Consumer Load**

If Idaho Falls selects this Option B, then Idaho Falls shall specify, in section 7.3 of Exhibit A, the maximum hourly amounts of an identified Onsite Consumer Load that are to be served with Firm Requirements Power. Such amounts shall be specified as Diurnal megawatt amounts, by month, and shall apply in all years for the term of this Agreement. Such amounts are not subject to change in accordance with section 3.6.6.

On any hour that Onsite Consumer Load is less than the specified maximum hourly amounts, all such Onsite Consumer Load shall be served with Firm Requirements Power. Idaho Falls shall serve any hourly amounts of the identified Onsite Consumer Load in excess of the specified maximum hourly amounts with power generated by the identified Consumer-Owned Resource or with power other than Firm Requirements Power. Any power generated from the identified Consumer-Owned Resource in excess of the amounts required to be used to serve the Onsite Consumer Load shall be applied to load other than Onsite Consumer Load in accordance with section 3.6.4.

**3.6.6 Changes to Consumer-Owned Resources**

Prior to each Fiscal Year Idaho Falls shall notify BPA in writing of any changes in ownership, expected resource output, or other characteristic of Consumer-Owned Resources identified in section 7 of Exhibit A. If a Consumer-Owned Resource has permanently ceased operation and Idaho Falls notifies BPA of such cessation, then BPA shall revise section 7 of Exhibit A to reflect such change as long as BPA agrees the determination is reasonable.

#### 4. BLOCK PRODUCT

##### 4.1 Block Product General Description

The Block Product is sold to provide a planned amount of Firm Requirements Power to serve a portion of Idaho Falls' Annual Net Requirement.

##### 4.2 Block Amount Shapes

###### 4.2.1 Tier 1 Block Amount Shapes

Upon the execution of this Agreement, Idaho Falls shall select one of the following shapes for Tier 1 Block Amounts: (1) a Flat Annual Shape, or (2) a Flat Within-Month Shape. The shape selected by Idaho Falls shall be specified in section 1.2 of Exhibit C and shall remain fixed during the term of this Agreement.

###### 4.2.2 Tier 2 Block Amount Shape

Tier 2 Block Amounts, sold to and purchased by Idaho Falls for its load, shall only be made available by BPA to Idaho Falls in a Flat Annual Shape.

###### 4.2.3 Shaping Restrictions

No shaping options for Tier 1 Block Amounts and Tier 2 Block Amounts are permitted other than those described in sections 4.2.1 and 4.2.2.

##### 4.3 Annual and Monthly Tier 1 Block Amounts

The annual and monthly Tier 1 Block Amounts shall be determined as follows:

###### 4.3.1 Determination of Annual Tier 1 Block Amount

By September 15, 2011, and by each September 15 thereafter, BPA shall determine Idaho Falls' annual Tier 1 Block Amount for the next Fiscal Year by subtracting the Critical Slice Amount for such Fiscal Year from the lesser of Idaho Falls' Annual Net Requirement or its RIFWM.

###### 4.3.2 Determination of Monthly Tier 1 Block Amounts

Idaho Falls' Tier 1 Block Amounts for each month of the Fiscal Year shall be determined by multiplying the annual Tier 1 Block Amount, as determined pursuant to section 4.3.1, by the Monthly Shaping Factors specified in section 1.2 of Exhibit C.

###### 4.3.3 Annual and Monthly Tier 1 Block Amounts Specified in Exhibit C

Idaho Falls' annual and monthly Tier 1 Block Amounts, as determined pursuant to this section 4.3 for each Fiscal Year, shall be specified in section 1 of Exhibit C.

#### 4.4 Annual Tier 2 Block Amounts

The annual Tier 2 Block Amounts, if any, sold to and purchased by Idaho Falls, shall be specified in section 2 of Exhibit C.

### 5. SLICE PRODUCT

#### 5.1 Slice Product General Description

The Slice Product is a system sale of power that includes requirements power, surplus power, and hourly scheduling rights, all of which are indexed to the variable output capability of the FCRPS resources that comprise the Tier 1 System, and to the extent such capability is available to Power Services after Tier 1 System Obligations and Operating Constraints are met. These capabilities are accessed by Idaho Falls through the Slice Computer Application, which shall reasonably represent and calculate the capabilities available to Power Services from such resources after Tier 1 System Obligations and Operating Constraints are met, including energy production, peaking, storage and ramping capability. The Slice Computer Application applies Idaho Falls' Slice Percentage to such capabilities.

The Slice Product sold by BPA and purchased by Idaho Falls is a power sale, and is not under any circumstances to be construed as a sale of the Tier 1 System Resources, Tier 1 System Resource capability, or a transfer of control of such Tier 1 System Resources.

BPA does not guarantee that the amount of Slice Output Energy made available under the Slice Product, combined with Firm Requirements Power made available under the Block Product, will be sufficient to meet Idaho Falls' regional consumer load, on an hourly, daily, weekly, monthly, or annual basis. Idaho Falls agrees that it has the obligation to supply nonfederal power to meet its Total Retail Load not met by its purchase of Slice Output and power from the Block Product.

Changes in the output of the Tier 1 System shall affect the amount of Slice Output made available to Idaho Falls under this Agreement. Accordingly, Idaho Falls understands and agrees it is exposed to Tier 1 System performance risk and water supply risk.

The Slice Product does not provide Idaho Falls any rights to utilize Tier 1 System Resources for within-hour energy or capacity services, including but not limited to dynamic scheduling, self-supply of operating reserves, and self-supply of energy imbalance. Slice Output Energy is scheduled firm for the hour of delivery.

Notwithstanding any provision of this Agreement to the contrary, or Idaho Falls' rights under this Agreement, BPA and Federal operating agencies at all times shall retain operational control of all resources comprising the FCRPS, including without limitation all such resources that comprise the Tier 1 System.

**5.2 Determination of Amounts of Slice Output Made Available to Idaho Falls**

Slice Output made available to Idaho Falls shall be adjusted by Operating Constraints in effect on the Tier 1 System. Such Operating Constraints shall be applied proportionately to the Tier 1 System output available to Power Services, Idaho Falls, and all other Slice Customers.

The amount of Slice Output Energy made available to Idaho Falls is based on a simulation of stream flows routed through the Simulator Projects, plus the BOS Base, using the Slice Computer Application, and as adjusted for Operating Constraints. Accordingly, Idaho Falls understands and agrees that the amount of Slice Output Energy made available to Idaho Falls may not precisely equal the result of its Slice Percentage multiplied by the Actual Tier 1 System Generation.

**5.3 Preliminary Slice Percentage, Initial Slice Percentage, Slice Percentage, and Adjustments to Slice Percentage**

**5.3.1 Preliminary Slice Percentage**

Idaho Falls' Preliminary Slice Percentage shall be the percentage as specified in section 1 of Exhibit J as of the Effective Date.

**5.3.2 Initial Slice Percentage**

Idaho Falls' Initial Slice Percentage shall be determined pursuant to section 4 of Exhibit Q. No later than May 1, 2011, BPA shall revise section 2 of Exhibit J to state Idaho Falls' Initial Slice Percentage.

**5.3.3 Slice Percentage**

No later than 15 days prior to the beginning of each Fiscal Year, beginning with Fiscal Year 2012, BPA shall revise the table in section 2 of Exhibit K to include Idaho Falls' Slice Percentage for each such Fiscal Year, as may be adjusted pursuant to section 1 of Exhibit K.

**5.3.4 Slice Percentage Not to Exceed Initial Slice Percentage**

Idaho Falls understands and agrees that in no event shall its Slice Percentage exceed its Initial Slice Percentage during the term of this Agreement.

**5.3.5 Adjustments to Slice Percentage**

As set forth in section 1.3 of Exhibit K for each Fiscal Year, Idaho Falls' Slice Percentage shall be adjusted: (1) when the amount of Additional CHWM for such Fiscal Year is greater than zero, or (2) such that Idaho Falls' purchase obligation under this Agreement does not exceed Idaho Falls' Annual Net Requirement for such Fiscal Year.

**5.4 Critical Slice Amount**

BPA shall determine Idaho Falls' Critical Slice Amount for Fiscal Year 2012 no later than 15 days prior to the first day of Fiscal Year 2012, and for each



subsequent Fiscal Year no later than 15 days prior to the first day of each such Fiscal Year, using the procedure described in section 2 of Exhibit I.

#### 5.5 Disposition of Surplus Slice Output

5.5.1 All sales, exchanges, or other dispositions of federal power are subject to and governed by federal law including, but not limited to, the Bonneville Project Act, P.L. 75-329 as amended, the Pacific Northwest Consumer Power Preference Act, P.L. 88-552, the Federal Columbia River Transmission System Act, P.L. 93-454, and the Northwest Power Act, P.L. No. 96-501, as amended.

5.5.2 All sales of Surplus Slice Output by Idaho Falls for use outside the Region, or to parties not serving firm retail load in the Region, are subject to the provisions of the Pacific Northwest Consumer Power Preference Act and section 9(c) of the Northwest Power Act, and BPA and Idaho Falls acknowledge their respective responsibilities thereunder.

5.5.3 The following uses of Surplus Slice Output shall not constitute a sale of Surplus Slice Output outside the Region:

5.5.3.1 Leaving the Surplus Slice Output in Storage or placing it in Idaho Falls' Storage;

5.5.3.2 Exchanging Surplus Slice Output with another utility customer in the Region, or a statutorily enumerated type of exchange with a utility outside the Region;

5.5.3.3 Using Surplus Slice Output to displace Idaho Falls' nonfederal resources identified in Exhibit A, or Idaho Falls' market purchases that would have been made for serving its Total Retail Load; and

5.5.3.4 A sale of Surplus Slice Output to a BPA utility customer for service to that utility's Total Retail Load in the Region, consistent with sections 3(14) and 9(c) of the Northwest Power Act.

Idaho Falls may demonstrate such uses of Surplus Slice Output by means of a storage account, executed contracts for binding sales or exchanges, or another form of offer and acceptance.

5.5.4 Pursuant to the Pacific Northwest Consumer Power Preference Act and section 9(c) of the Northwest Power Act, BPA shall have the right to curtail all or a portion of Idaho Falls': (1) Surplus Slice Output capacity upon 60 months written notice to Idaho Falls, and (2) Surplus Slice Output energy upon 60 days written notice to Idaho Falls. Any such notice shall specify the amounts and duration of the curtailment, and whether such capacity or energy is needed to meet BPA's capacity

and energy requirements in the Region. Prior to issuing any such curtailment notice, BPA and Idaho Falls shall consult in order to determine the quantity, if any, of Surplus Slice Output energy and capacity that may be subject to such curtailment. Such curtailments shall be limited to Idaho Falls' proportional share of the amount needed, and for the duration necessary, to cover BPA's projection of its needs within the Region. Such curtailments are subject to sections 5.5.5 and 5.5.6.

5.5.5 If BPA issues a notice of curtailment pursuant to section 5.5.4, then it shall concurrently issue notices of curtailment, recall, or termination to all other extra regional and non-preference purchasers to whom BPA has sold Surplus Firm Power, or surplus capacity, for durations longer than specified in the notice, provided that such sales agreements contain provisions that allow for recall, curtailment or termination.

5.5.6 Following each month that Surplus Slice Output is curtailed pursuant to section 5.5.5 above, Power Services shall include a line item credit on Idaho Falls' monthly customer bill issued equal to the amount of Surplus Slice Output energy curtailed during the preceding month, multiplied by the Monthly Reimbursement Value for the month during which the curtailment was in effect.

**5.6 Disposition of Requirements Slice Output and Requirements Slice Output Test**

**5.6.1 Disposition of Requirements Slice Output**

Requirements Slice Output (RSO) purchased by Idaho Falls under this Agreement and made available by BPA shall be used solely for the purpose of serving Idaho Falls' Total Retail Load. Idaho Falls shall maintain monthly documentation establishing the delivery of RSO to serve its Total Retail Load, such as by schedule or by electronic tag, for each such month. Idaho Falls shall make such documentation available to BPA upon request.

**5.6.2 Requirements Slice Output Test**

**5.6.2.1 Submission of Monthly Actual Total Retail Load Data**

On or before the 10<sup>th</sup> Business Day of each calendar month, Idaho Falls shall submit to BPA its actual Total Retail Load for the preceding calendar month, expressed in MWh.

**5.6.2.2 RSO Test**

BPA shall compare: (1) Idaho Falls' Slice Output Energy delivered to its actual Total Retail Load plus loss return schedules to Transmission Services (Slice-to-Load Delivery) during each month with (2) Idaho Falls' RSO for each such month. Such comparison is the monthly RSO Test.

**5.6.2.3 Notification of Results of RSO Test**

On or before the 20<sup>th</sup> Business Day of each calendar month, BPA shall notify Idaho Falls in writing of the results of the RSO Test conducted pursuant to section 5.6.2.2.

**5.6.2.4 Conditions that Result in Passage of RSO Test**

- (1) If Idaho Falls' Slice-to-Load Delivery in a month is greater than or equal to its RSO for such month, then Idaho Falls shall have satisfied the requirements of the RSO Test for such month; or,
- (2) If Idaho Falls' Slice-to-Load Delivery in a month is less than its RSO for such month, but Idaho Falls' Actual Slice Output Energy (ASOE) for the month is less than 107.5 percent of its RSO, and Idaho Falls' monthly Slice-to-Load Delivery is greater than 92.5 percent of its ASOE for such month, then Idaho Falls shall have satisfied the RSO Test for such month.

**5.6.2.5 Conditions Under Which BPA May Deem Idaho Falls to Have Satisfied the RSO Test**

- (1) If Idaho Falls has not satisfied the requirements of the RSO Test pursuant to section 5.6.2.4, then Idaho Falls may, within 14 calendar days after BPA provides Idaho Falls with written notice of the RSO Test results pursuant to section 5.6.2.3, provide BPA with data that demonstrates Idaho Falls took reasonable and prudent actions to otherwise satisfy the RSO Test for such month. Such data may include analysis indicating Idaho Falls satisfied the RSO Test in each of two distinct periods of ten or more consecutive days within the month. If Power Services determines such data and/or analysis demonstrates such compliance, then BPA shall deem Idaho Falls to have satisfied the RSO Test for such month. BPA shall have the sole discretion to determine whether Idaho Falls shall be deemed to have satisfied the RSO Test pursuant to this section 5.6.2.5(1). BPA shall, no later than 14 calendar days following the day Idaho Falls provides such supporting data and/or analysis, notify Idaho Falls, in writing, of its decision as to whether or not Idaho Falls shall be deemed to have satisfied the RSO Test, and the basis for such decision.
- (2) If recurring conditions exist that result in BPA repeatedly deeming Idaho Falls to have satisfied the RSO Test, BPA and Idaho Falls shall collaboratively

develop documentation, through a separate letter agreement, that establishes for a specified prospective time period the conditions under which BPA shall deem Idaho Falls to have satisfied the RSO Test.

**5.6.2.6 Conditions that Result in Failure of RSO Test and Associated Penalty**

If Idaho Falls fails to satisfy the RSO Test per section 5.6.2.4, and is not deemed by BPA to have satisfied the RSO Test pursuant to section 5.6.2.5 for any month, then a penalty charge shall be assessed as follows for that month:

- (1) The penalty charge shall be equal to Idaho Falls' under-delivered amount for such month multiplied by the UAI Charge for energy for each such month.
- (2) The under-delivered amount for such month is equal to the lesser of the amount Idaho Falls' monthly Slice-to-Load Delivery is less than: (1) Idaho Falls' RSO for the month, or (2) if section 5.6.2.4(2) is applicable, then 95 percent of Idaho Falls' ASOE for the month.

**5.7 Northwest Power Act Section 6(m) Resource Acquisitions**

Idaho Falls retains all rights to participate in any BPA major resource acquisitions pursuant to section 6(m) of the Northwest Power Act.

**5.8 Displacement of Columbia Generating Station (CGS)**

**5.8.1 Definitions**

5.8.1.1 "Additional Energy" means the amount of energy Idaho Falls is entitled to receive if it elects not to participate in CGS Displacements during an Election Year, and is equal to Idaho Falls' Slice Percentage multiplied by the difference between the Generation Benchmark and the expected level of CGS generation while displacement is in effect.

5.8.1.2 "Columbia Generating Station" or "CGS" means the nuclear powered generating facility located near Richland, Washington, and operated by Energy Northwest, or its successor.

5.8.1.3 "CGS Displacement" means a decision by Power Services to shut-down all or a portion of the power production at CGS due to market conditions.

5.8.1.4 "Election Year" means the 12-month period beginning each February 1 and ending the following January 31.

- 5.8.1.5 "Generation Benchmark" means the generation level at which Power Services reasonably expects CGS to operate, absent any CGS Displacement, which is typically about 1,130 MWh per hour.
- 5.8.1.6 "Incremental Cost" means the additional costs that Power Services would have incurred if CGS had been operated at full capability, and CGS Displacements had not been instituted, including the costs of nuclear fuel and variable operations and maintenance costs, expressed in dollars per MWh.
- 5.8.1.7 "Operating Plan" means the forecasted CGS monthly generation adopted in BPA's firm planning for a Fiscal Year.

**5.8.2 CGS Displacement Election**

No later than January 31, 2012, and no later than January 31 of each calendar year thereafter during the term of this Agreement, Idaho Falls shall provide Power Services written notice stating whether or not it elects to participate in CGS Displacements for the Election Year that begins on the following day. Such election shall be irrevocable for each such Election Year, and shall apply to all CGS Displacements implemented by Power Services during such Election Year.

**5.8.3 Election to Participate in CGS Displacement**

If Idaho Falls elects to participate in CGS Displacements, then Idaho Falls shall not be entitled to Additional Energy.

**5.8.4 Election Not to Participate in CGS Displacements**

If Idaho Falls elects to not participate in CGS Displacements, then Idaho Falls shall be entitled to amounts of Additional Energy as described in this section 5.8.4.

5.8.4.1 Idaho Falls shall take delivery of Additional Energy associated with each CGS Displacement as described in section 5.8.6. Power Services shall make such Additional Energy available to Idaho Falls at the Scheduling Points of Receipt.

5.8.4.2 PS shall maintain for Idaho Falls an account that will indicate the accumulated amount of Additional Energy that was made available to Idaho Falls during each CGS Displacement and for each Fiscal Year.

5.8.4.3 Following the end of each Fiscal Year, Idaho Falls shall pay an amount equal to Idaho Falls' balance in the accumulated Additional Energy account multiplied by the Incremental Cost associated with each such Fiscal Year, and such account balance shall be set to zero. Such amount shall be included on Idaho Falls' next power bill immediately after

determination of the Incremental Cost pursuant to section 5.8.5.

**5.8.5 Operating Plan and Incremental Cost**

Within 30 days following the date that the Operating Plan for the upcoming Fiscal Year is adopted, Power Services shall provide Idaho Falls such Operating Plan and the actual Incremental Cost associated with the immediately preceding Fiscal Year.

**5.8.6 Implementation of CGS Displacement**

5.8.6.1 BPA shall notify Idaho Falls of any potential CGS Displacement as soon as BPA determines such CGS Displacement is likely to occur.

5.8.6.2 If a CGS Displacement occurs during a period when Idaho Falls has elected not to participate in such CGS Displacement, BPA shall develop and submit to Idaho Falls hourly schedules of Additional Energy as described in section 5.8.1.1.

5.8.6.3 Such Additional Energy amounts shall be computed by the BOS Module as a component of Idaho Falls' BOS schedule, as described in section 4 of Exhibit M.

**5.9 Treatment of RHW Augmentation**

Idaho Falls shall purchase and receive a share of RHW Augmentation in an amount equal to Idaho Falls' Slice Percentage multiplied by the RHW Augmentation for each Fiscal Year, as set forth in Exhibit L.

**5.10 SCA Functionality Test, Simulator Performance Test, and Implementation of the SCA**

This section sets out the SCA Functionality and Simulator Performance Tests. BPA shall promptly notify Idaho Falls of the results of the SCA Functionality and Simulator Performance Tests.

**5.10.1 Definitions**

5.10.1.1 "Default User Interface," or "DUI," means the basic user interface that is developed by BPA and made available to Idaho Falls for access to the SCA.

5.10.1.2 "Interim Slice Implementation Procedures" means the procedures set forth in Exhibit O that will be used on an interim basis to determine Idaho Falls' available Slice Output and Delivery Limits in the event the SCA Implementation Date occurs after October 1, 2011, pursuant to section 5.10.3.

5.10.1.3 "SCA Functionality Test" means the test set forth in section 5.10.2 that is conducted to determine whether the

SCA is complete, functional, and ready for daily implementation and use.

5.10.1.4 "SCA Implementation Date" means the latest of:  
(1) October 1, 2011, (2) 90 days after the SCA Pass Date, or  
(3) 90 days after the Simulator Pass Date.

5.10.1.5 "SCA Pass Date" means the date on which the SCA passes the SCA Functionality Test.

5.10.1.6 "Simulator Pass Date" means the date on which the Simulator passes the Simulator Performance Test.

5.10.1.7 "Simulator Performance Test" means the test conducted by BPA and consisting of four separate tests: a Storage Content test, an energy test, a peaking test, and a ramp down test, each as separately described in section 3.5.3 of Exhibit M.

#### 5.10.2 SCA Functionality Test

##### 5.10.2.1 SCA Functionality Test Conducted No Later Than July 1, 2011

The initial SCA Functionality Test shall be conducted by BPA no later than July 1, 2011.

##### 5.10.2.2 Determination of SCA Functionality Test Procedures

BPA, in consultation with Idaho Falls and other members of the SIG, shall, by April 15, 2011, establish a detailed written description of the validation procedures that will comprise the SCA Functionality Test. Such validation procedures shall include a comprehensive series of objective tests that establish if the SCA, including the Simulator, DUI and BOS module, are wholly functional and ready for daily implementation and use.

#### 5.10.3 SCA Implementation Date

##### 5.10.3.1 SCA Implementation Date Established as October 1, 2011

If the SCA Implementation Date is established as October 1, 2011, then BPA and Idaho Falls shall commence implementation of the SCA beginning on October 1, 2011.

##### 5.10.3.2 SCA Implementation Date Occurs After October 1, 2011

If the SCA Implementation Date is established later than October 1, 2011, then, beginning on October 1, 2011, and continuing until the SCA Implementation Date, BPA and Idaho Falls shall implement the Interim Slice Implementation Procedures, pursuant to Exhibit O.

#### 5.10.4 Simulator Performance Test

##### 5.10.4.1 Simulator Performance Test Date

No later than August 1, 2010, BPA shall provide Idaho Falls access to the Simulator that will be used by BPA to conduct the Simulator Performance Test. The Simulator Performance Test shall be conducted by BPA no later than October 31, 2010.

##### 5.10.4.2 Simulator Fails Simulator Performance Test

If, as of October 31, 2010, the Simulator has failed one or more of the four tests that comprise the Simulator Performance Test, then Idaho Falls may elect to change its purchase obligation pursuant to section 11.2.

#### 5.10.5 Idaho Falls Unable to Utilize DUI

If, as of the SCA Implementation Date, Idaho Falls is not functionally ready to access and utilize the DUI, then beginning October 1, 2011 and continuing until 30 days after Idaho Falls provides BPA with written notice that it is functionally ready to utilize the DUI, BPA shall use the SCA to determine Idaho Falls' hourly Delivery Requests in accordance with the following procedures:

##### 5.10.5.1 Establishment of Preschedules

- (1) BPA shall set Idaho Falls' Customer Inputs (generation requests) for Grand Coulee and Chief Joseph equal to Power Services planned Grand Coulee and Chief Joseph's respective generation;
- (2) BPA shall set Idaho Falls' Customer Inputs (elevation requests) for the LCOL Complex projects such that those projects pass inflow on an hourly basis; and
- (3) BPA shall set Idaho Falls' hourly BOS amount equal to Idaho Falls' Slice Percentage multiplied by the BOS Base amount (no BOS Flex allowed).
- (4) BPA shall communicate the above values to Idaho Falls via facsimile.

##### 5.10.5.2 Updates to Preschedule Values

Using the same criteria as set forth in section 5.10.5.1, BPA shall revise Idaho Falls' Customer Inputs, and submit to Idaho Falls its revised Delivery Requests, as needed to reflect BPA's latest estimated generation, inflow and BOS Base values: (1) by 1800 hours on the day prior to delivery, and (2) by 60 minutes prior to the beginning of each hour of delivery.



#### 5.10.5.3 Submission of Electronic Tags

Idaho Falls shall submit electronic tags to Power Services on preschedule and real time, pursuant to Exhibit F, which shall indicate energy amounts equal to Idaho Falls' hourly Delivery Requests established under this section 5.10.5.

- (1) If energy amounts indicated on Idaho Falls' electronic tags are greater than its hourly Delivery Requests, then Idaho Falls shall receive the electronic tag amounts and shall be charged at the UAI Charge for the energy that is in excess of the Slice Output Energy amount.
- (2) If energy amounts indicated on Idaho Falls' electronic tags are less than its hourly Delivery Requests, then Idaho Falls shall receive the electronic tag amounts and shall forfeit the remaining Slice Output Energy amount.

#### 5.10.5.4 Delivery Limit Penalties

Except as described in section 5.10.5.3, Delivery Limit penalties established in Exhibit N shall not be assessed for the first 90 days that the provisions described in this section 5.10.5 are in effect.

#### 5.11 Slice Computer Application Development Schedule

The schedule attached hereto as Exhibit P represents timelines under which specific tasks associated with the development of the SCA shall be completed. Idaho Falls and BPA understand and agree that: (1) the timelines specified in Exhibit P are not binding and are for information purposes only, and (2) the timelines set forth in this section 5 are binding. BPA, Idaho Falls, and other members of the SIG shall discuss the status of the various tasks identified in Exhibit P and their associated timelines.

#### 5.12 Slice Implementation Group

##### 5.12.1 Definitions

5.12.1.1 "Majority" means at least 51 percent of the Slice Implementation Group (SIG) members (or their alternates) present at a meeting of the SIG at which a Quorum has been established (counting only one representative for each Slice Customer and for BPA, even if both the SIG member and the alternate SIG member are present).

5.12.1.2 "Quorum" means the BPA SIG member and at least 60 percent of all Slice Customer SIG members (provided that if an alternate SIG member is present at a SIG meeting and the corresponding SIG member is not, the alternate SIG member shall be counted for purposes of determining a Quorum).

5.12.1.3 "Super Majority" means at least 66 percent of the Slice Customer SIG members (or their alternates) present at a meeting of the SIG at which a Quorum has been established (counting only one representative for each Slice Customer, even if both the SIG member and the alternate SIG member are present).

#### 5.12.2 Slice Implementation Group

5.12.2.1 The Parties anticipate that implementation issues will arise regarding the Slice Product or the Slice Computer Application, and that a forum is needed for discussing alternatives and taking actions that may affect BPA and the Slice Customers. The SIG is hereby established for the purposes of: (1) considering, establishing and documenting modifications to the Slice Computer Application necessary to maintain its reasonable representation of Tier 1 System energy, peaking, storage, and ramping capability; (2) considering, establishing and documenting modifications to the Slice Computer Application necessary for Idaho Falls and other Slice Customers to schedule Slice Output Energy under this Agreement; (3) establishing a clearinghouse for information regarding the Slice Product and the Slice Computer Application, and (4) establishing a forum for discussing any other issues regarding the Slice Product, the Slice Computer Application and associated procedures.

5.12.2.2 BPA and Idaho Falls shall each appoint a SIG member and an alternate SIG member to attend SIG meetings. Appointment of a SIG member and an alternate SIG member shall initially be made in writing submitted to BPA and all other Slice Customers, and thereafter to the SIG chairperson. The Slice Customer SIG members shall elect a SIG chairperson each year who shall conduct SIG meetings. Any SIG meeting may be conducted by telephone conference call. Any action of the SIG, except as otherwise provided herein, shall be made by Majority vote of the SIG members (or any alternates acting in the absence of SIG members) attending the SIG meeting in person or by telephone. The SIG may adopt rules and procedures, including dates, times, and locations of meetings, as it deems necessary or desirable. A meeting may be called by any SIG member or alternate by providing all other SIG members and alternates with written notice at least seven calendar days in advance of such meeting, setting forth the date, location, and subject matter of such meeting. The SIG shall meet at least once during each Fiscal Year.

5.12.2.3 BPA shall have the right in its sole discretion to implement the upgrades, replacements and changes described in sections 5.12.2.3(1) through 5.12.2.3(3) only to the extent it determines such implementation is consistent with the Slice product as described in section 5.1, and only after: (1) such implementation and related testing is reviewed and discussed by the SIG; and (2) such upgrades, replacements and changes have been subjected to testing as determined by BPA to be relevant and sufficient to demonstrate that each upgrade, replacement, or change functions as intended and does not cause any other portion of the SCA to malfunction. Such implementation by BPA shall not be subject to approval by the SIG. Notwithstanding BPA's sole discretion to implement such upgrades, replacements and changes, Idaho Falls may dispute BPA's determination of consistency with section 5.1 regarding any such upgrades, replacements, and changes, in accordance with section 22. If as a result of a dispute resolution process such upgrade, replacement, or change is determined to be inconsistent with section 5.1, then BPA, Idaho Falls, and other members of the SIG shall consult to identify modifications that make such upgrade, replacement, or change consistent with section 5.1, and BPA shall promptly implement such modifications.

- (1) BPA may change, upgrade or replace the Slice Computer Application as necessary to produce results that reasonably represent the energy production, peaking, storage, or ramping capability of the Tier 1 System.
- (2) BPA may change, upgrade or replace the Slice Computer Application as necessary to maintain functionality with BPA's internal business processes and systems.
- (3) BPA may determine how Operating Constraints are translated into Simulator Parameters for application within the Slice Computer Application, and in a manner that reflects in the Slice Computer Application the impacts of such Operating Constraints on the Tier 1 System.

5.12.2.4 Subject to the procedures set forth below and except as otherwise provided in section 5.12.2.3, BPA or any Slice Customer may propose changes to the Slice Computer Application. Any such proposal shall be made in writing and be provided to all members of SIG. The proposal shall state the change or changes proposed, the reasons for such proposed change or changes, the expected impacts or benefits, and the time frame of implementation.

5.12.2.5 Following receipt of written notice proposing a change to the SCA pursuant to section 5.12.2.4, the SIG chairperson shall convene the SIG to discuss such proposed change(s). The SIG shall decide, using its normal rules of procedure, the type of analysis (if any) that should be performed on the proposed change(s), and, as applicable, whether the proposed change(s) shall be further considered.

5.12.2.6 After an analysis (if any) is completed and distributed to the SIG members, the SIG chairperson shall convene a meeting of the SIG to discuss the proposed change(s), and any modifications thereto. If BPA elects to submit the proposed change(s) for public comment, the SIG chairperson will postpone any vote on the proposed change(s) for up to 45 calendar days to permit BPA to conduct a public comment process.

5.12.2.7 At a meeting of the SIG, the SIG chairperson shall put to a vote the question of whether the proposed change(s) should be recommended for implementation. If a Majority of the SIG members vote in favor of implementing the proposed change(s), then the proposed change(s) will be implemented by BPA unless:

(1) the BPA SIG member opposes the proposed change(s), in which case the proposed change(s) shall not be adopted, and the Slice Computer Application shall not be revised; or

(2) the BPA SIG member approves the proposed change(s), and one or more Slice Customer SIG members who voted against the implementation of the proposed change(s) request in writing to all SIG members, within 10 calendar days of the Majority vote approving such implementation, a second vote by all Slice Customer SIG members on the question of whether the proposed change(s) should be implemented. In this event, implementation shall be deferred until such second vote is taken. Such second vote shall be taken within 20 calendar days of the date of such Majority vote. If a Super Majority of the Slice Customer SIG members affirm the proposal under such second vote to implement the proposed change(s), then the proposed change(s) will be implemented. If a Super Majority of the Slice Customer SIG members does not affirm under such second vote to implement the proposed change(s), then the proposed change(s) will not be implemented.

**5.13 Creditworthiness**

Idaho Falls shall execute a Creditworthiness Agreement with BPA prior to or coincident with execution of this Agreement.

**5.14 True-Up Adjustment Charge**

**5.14.1 Interest Rate Applied to Slice True-Up Adjustment Charge and Time Periods During Which Interest is Applied**

BPA shall calculate a Slice True-Up Adjustment Charge annually pursuant to section 2.7.4 of the TRM.

**5.14.1.1 Determination of Interest Rate**

Interest shall be computed and added to the Slice True-Up Adjustment Charge using the daily simple interest rate. The daily simple interest rate shall be the Prime Rate for Large Banks as reported in the Wall Street Journal or successor publication in the first issue of the Fiscal Year in which the Slice True-Up Adjustment Charge is calculated, divided by 365. The daily simple interest rate will be fixed on the first day of the Fiscal Year in which the Slice True-Up Adjustment Charge is calculated for the time periods specified under section 5.14.1.2.

**5.14.1.2 Time Periods During Which Interest is Applied**

Interest determined pursuant to section 5.14.1.1 shall be computed and added to the Slice True-Up Adjustment Charge for Idaho Falls for the time periods defined as follows:

- (1) If the Slice True-Up Adjustment Charge is a credit to Idaho Falls, then the period for interest computation will begin with the first day of the Fiscal Year in which the Slice True-Up Adjustment Charge is calculated, and will end on the due date of the bill that contains such credit.
- (2) If the Slice True-Up Adjustment Charge is a charge payable to BPA, then the period for interest computation will begin with the first day of the Fiscal Year in which the Slice True-Up Adjustment Charge is calculated, and will end, with regard to the portion to be paid, on the due date for each of the three monthly bills in which the Slice True-Up Adjustment Charge appears. If Idaho Falls elects to pay the charge in one month, then Idaho Falls shall notify BPA in writing and the period for interest computation will begin with the first day of the Fiscal Year in which the Slice True-Up Adjustment Charge is calculated and will end on the due date for the next monthly bill issued following the day such Slice True-Up Adjustment Charge is calculated.

- (3) If a credit or charge contained in a Slice True-Up Adjustment Charge is subject to dispute resolution pursuant to Attachment A of the TRM or has been reserved for final disposition in the next 7(i) Process, all pursuant to the TRM, and if there is an adjustment to such credit or charge as a result thereof, then the period for the interest calculation shall begin on the first day of the Fiscal Year in which the disputed Slice True-Up Adjustment Charge was calculated and will end as specified in section 5.14.1.2(1) or (2) depending upon whether the adjustment is a credit or a charge.

## 6. TIERED RATE METHODOLOGY

- 6.1 BPA has proposed the TRM to FERC for either confirmation and approval for a period of 20 years (through September 30, 2028) or a declaratory order that the TRM meets cost recovery standards. The then-effective TRM shall apply in accordance with its terms and shall govern BPA's establishment, review and revision pursuant to section 7(i) of the Northwest Power Act, of all rates for power sold under this Agreement.
- 6.2 In the event that FERC approves the TRM for a period less than through September 30, 2028, or issues a declaratory order that the TRM meets cost recovery standards for a period less than through September 30, 2028, BPA shall, before the approved period of the TRM expires: (1) propose continuation of the TRM in a hearing conducted pursuant to section 7(i) of the Northwest Power Act or its successor; and then (2) resubmit the TRM to FERC for approval or declaratory affirmation of cost recovery standards through September 30, 2028.
- 6.3 The recitation of language from the TRM in this Agreement is not intended to incorporate such language into this Agreement. The TRM's language may be revised, but only in accordance with the requirements of TRM sections 12 and 13. If language of the TRM is revised, then any such language recited in this Agreement shall be modified accordingly, and the Amendment process of section 24.1 shall not apply to any such modifications.
- 6.4 Any disputes over the meaning of the TRM or rates or whether the Administrator is correctly implementing the TRM or rates, including but not limited to matters of whether the Administrator is correctly interpreting, applying, and otherwise adhering or conforming to the TRM or rate, shall (1) be resolved pursuant to any applicable procedures set forth in the TRM; (2) if resolved by the Administrator as part of a proceeding under section 7(i) of the Northwest Power Act, be reviewable as part of the United States Court of Appeals for the Ninth Circuit's review under section 9(e)(5) of the Northwest Power Act of the rates or rate matters determined in such section 7(i) proceeding (subject to any further review by the United States Supreme Court); and (3) if resolved by the Administrator outside such a section 7(i) proceeding, be reviewable as a final action by the United States

Court of Appeals for the Ninth Circuit under section 9(e)(5) of the Northwest Power Act (subject to any further review by the United States Supreme Court). The remedies available to Idaho Falls through such judicial review shall be Idaho Falls' sole and exclusive remedy for such disputes, except as provided in the next paragraph.

Any knowing failure of BPA to abide by the TRM, or any BPA repudiation of its obligation here and under the TRM to revise the TRM only in accordance with the TRM sections 12 and 13 procedures for revision, would be a matter of contract to be resolved as would any other claim of breach of contract under this Agreement. For purposes of this paragraph, when there is a dispute between BPA and Idaho Falls concerning what the TRM means or requires, a "knowing failure" shall occur only in the event the United States Court of Appeals for the Ninth Circuit or, upon further review, the United States Supreme Court rules against BPA on its position as to what the TRM means or requires and BPA thereafter persists in its prior position.

- 6.5 BPA shall not publish a Federal Register Notice regarding BPA rates or the TRM that prohibits, limits, or restricts Idaho Falls' right to submit testimony or brief issues on rate matters regarding the meaning or implementation of the TRM or establishment of BPA rates pursuant to it, provided however for purposes of BPA's conformance to this paragraph a "rate matter" shall not include budgetary and program level issues.
- 6.6 The TRM established by BPA as of the Effective Date includes, among other things, the following:

6.6.1 Definitions (from Definitions section of the TRM):

**"Contract High Water Mark" or "CHWM"** means the amount (expressed in Average Megawatts), computed for each customer in accordance with section 4 of the TRM. For each customer with a CHWM Contract, the CHWM is used to calculate each customer's RHW in the RHW Process for each applicable Rate Period. The CHWM Contract specifies the CHWM for each customer.

**"Rate Period High Water Mark" or "RHW"** means the amount, calculated by BPA in each RHW Process (as defined in the TRM) pursuant to the formula in section 4.2.1 of the TRM and expressed in Average Megawatts, that BPA establishes for each customer based on the customer's CHWM and the RHW Tier 1 System Capability (as defined in the TRM). The maximum planned amount of power a customer may purchase under Tier 1 Rates each Fiscal Year of the Rate Period is equal to the RHW for Load Following customers and the lesser of RHW or Annual Net Requirement for Block and Slice/Block customers.

**"Contract Demand Quantity" or "CDQ"** means the monthly quantity of demand (expressed in kilowatts) included in each customer's CHWM Contract that is subtracted from the Customer

System Peak (as defined in the TRM) as part of the process of determining the customer's Demand Charge Billing Determinant (as defined in the TRM), as calculated in accordance with section 5.3.5 of the TRM.

6.6.2 Rate Period High Water Mark Calculation (from section 4.2.1 of the TRM):

Expressed as a formula, the RHWM will be calculated by BPA for each customer as follows:

$$RHWM = \frac{CHWM}{\Sigma CHWM} \times TISC$$

where:

*RHWM* = Rate Period High Water Mark, expressed in Average Megawatts

*CHWM* = Contract High Water Mark

$\Sigma CHWM$  = sum of all customers' Contract High Water Marks, including those for customers without a CHWM Contract

*TISC* = forecast RHWM Tier 1 System Capability (as defined in the TRM), averaged for the Rate Period

## 7. HIGH WATER MARKS AND CONTRACT DEMAND QUANTITIES

### 7.1 Contract High Water Mark (CHWM)

BPA shall establish Idaho Falls' CHWM in the manner defined in section 4.1 of the TRM that was current as of the Effective Date. Idaho Falls' CHWM and the circumstances under which it can change are stated in Exhibit B.

### 7.2 Rate Period High Water Mark (RHWM)

Idaho Falls' CHWM shall also be Idaho Falls' RHWM for FY 2012 and FY 2013. BPA shall establish Idaho Falls' RHWM for the next Rate Period by September 30, 2012, and for subsequent Rate Periods by September 30 of each Forecast Year thereafter. BPA shall establish Idaho Falls' RHWM in the manner defined in section 4.2 of the TRM that was current as of the Effective Date.

### 7.3 Contract Demand Quantities (CDQs)

BPA shall establish Idaho Falls' CDQs pursuant to the TRM. Idaho Falls' CDQs are listed in Exhibit B.

## 8. APPLICABLE RATES

Purchases under this Agreement are subject to the following rate schedules, or their successors: Priority Firm Power (PF), New Resource Firm Power (NR), and Firm



Power Products and Services (FPS), as applicable. Billing determinants for any purchases will be included in each rate schedule. Power purchases under this Agreement are subject to BPA's Wholesale Power Rate Schedules, established in accordance with the TRM, as applicable, and its GRSPs (or their successors).

**8.1 Priority Firm Power (PF) Rates**

BPA shall establish its PF power rates that apply to purchases under this Agreement pursuant to section 7 of the Northwest Power Act, and in accordance with the TRM. BPA shall establish PF power rates that include rate schedules for purchase amounts at Tier 1 Rates and purchase amounts at Tier 2 Rates. Idaho Falls' purchases of: (1) Tier 1 Block Amounts, as specified in section 1 of Exhibit C, and (2) Critical Slice Amounts, as specified in section 2 of Exhibit I, shall be at Tier 1 Rates. Idaho Falls' purchases of Tier 2 Block Amounts, if any, shall be at the applicable Tier 2 Rates and in accordance with the terms of section 2 of Exhibit C.

**8.2 New Resource Firm Power (NR) Rate**

Pursuant to sections 23.3.6 and 23.3.7, Idaho Falls agrees to serve NLSLs with Dedicated Resources or Consumer-Owned Resources listed in section 4 or 7.4, respectively, of Exhibit A.

**8.3 Firm Power Products and Services (FPS) Rate**

Services sold under this Agreement to Idaho Falls at the FPS rate, if any, are listed in Exhibit D.

**8.4 Additional Charges**

Idaho Falls may incur additional charges or penalty charges as established in the Wholesale Power Rate Schedules and GRSPs, including the Unauthorized Increase Charge and the Resource Shaping Charge, or their successors.

**9. ELECTIONS TO PURCHASE POWER PRICED AT TIER 2 RATES**

**9.1 Determination and Notice to Serve Above-RHWM Load**

Idaho Falls shall determine and provide notice, as described below, to BPA whether Idaho Falls shall serve its Above-RHWM Load that is greater than or equal to 8,760 megawatt-hours with either: (1) Firm Requirements Power purchased from BPA at a Tier 2 Rate or rates, (2) Dedicated Resources, or (3) a specific combination of both (1) and (2). Idaho Falls shall make such determination and provide such notice as follows:

**9.1.1 Notice Deadlines and Purchase Periods**

Notice Deadlines and corresponding Purchase Periods are as follows:

Notice Deadline		Purchase Period
November 1, 2009	For	FY 2012 – FY 2014
September 30, 2011	For	FY 2015 – FY 2019
September 30, 2016	For	FY 2020 – FY 2024
September 30, 2021	For	FY 2025 – FY 2028

**9.1.2 Elections to Purchase at Tier 2 Rates**

By each Notice Deadline, Idaho Falls shall elect in writing to purchase, or not to purchase, Firm Requirements Power at Tier 2 Rates for at least the upcoming Purchase Period. If Idaho Falls elects to purchase Firm Requirements Power at Tier 2 Rates, then Idaho Falls shall make such election pursuant to sections 2.2 through 2.4 of Exhibit C. BPA shall update Exhibit C to state Idaho Falls' Tier 2 Rate purchase elections.

**9.1.3 Elections Not to Purchase at Tier 2 Rates**

If Idaho Falls elects under section 9.1.2 not to purchase Firm Requirements Power at Tier 2 Rates to serve Above-RHWM Load for a Purchase Period, BPA shall update section 2.1 of Exhibit C to indicate such election. Such election shall not eliminate any existing obligation that extends into the Purchase Period or beyond to purchase Firm Requirements Power at Tier 2 Rates.

**9.1.4 Failure to Make an Election**

If Idaho Falls makes no election by a Notice Deadline in section 9.1.1 for the corresponding Purchase Period, Idaho Falls shall be deemed to have elected not to purchase Firm Requirements Power at Tier 2 Rates to serve Above-RHWM Load, except for any existing obligation to purchase such power that extends into the Purchase Period or beyond.

**9.2 Tier 2 Rate Alternatives**

Subject to the requirements of this section 9 and those stated in Exhibit C, Idaho Falls shall have the right to purchase Firm Requirements Power at Tier 2 Vintage Rates and Tier 2 Short-Term Rates.

**9.3 Flat Block**

Amounts of Firm Requirements Power priced at Tier 2 Rates and purchased by Idaho Falls shall be equal in all hours of the year.

**10. TIER 2 REMARKETING AND RESOURCE REMOVAL**

For the purpose of this section 10, any Dedicated Resources added to Exhibit A pursuant to section 3.5.3 or 3.5.7 do not have temporary resource removal or remarketing rights under this section. In addition, any Dedicated Resource amounts or amounts purchased at a Tier 2 Rate that would otherwise be made eligible for removal or remarketing due to the addition of resources under section 3.5.3 do not have temporary resource removal or remarketing rights under this section.

**10.1 Definition of Preliminary Net Requirement**

"Preliminary Net Requirement" means BPA's forecast of Idaho Falls' Net Requirement for each Fiscal Year prior to the removal of any resources in accordance with this section 10.

**10.2 Resource Removal and Remarketing of Tier 2 Purchase Amounts – First Fiscal Year of Each Rate Period**

If Idaho Falls' Preliminary Net Requirement for the first Fiscal Year of an upcoming Rate Period is less than the sum of: (1) Idaho Falls' RHW, and (2) Idaho Falls' Tier 2 Rate purchase amounts, as stated in Exhibit C, then Tier 2 remarketing and removal of New Resources shall apply for such year to the extent necessary to comply with section 10.4. If such remarketing and removal of New Resources applies, then by August 31 of the applicable Rate Case Year, Idaho Falls may notify BPA of the order and associated amounts of Idaho Falls' Tier 2 Rate purchase amounts that BPA shall remarket and the New Resources Idaho Falls shall remove for the upcoming Fiscal Year. If compliance with the requirements of section 10.4 would cause Idaho Falls to remove part or all of any New Resource that Idaho Falls uses to fulfill a state or federal renewable resource standard or other comparable legal obligation, then Idaho Falls shall have the right to substitute its right to remove New Resources for the same amount of Existing Resources to the extent necessary to comply with section 10.4, provided that the hourly, monthly, and Diurnal amounts so removed shall be equal to the hourly, monthly, and Diurnal amounts provided by the New Resources that Idaho Falls would have otherwise been obligated to remove.

If Idaho Falls does not provide BPA with such timely notice in accordance with the preceding paragraph, then BPA shall determine the order and associated amounts of Tier 2 remarketing and removal of New Resources to the extent necessary to comply with section 10.4.

**10.3 Resource Removal and Remarketing of Tier 2 Purchase Amounts – Subsequent Fiscal Years of Each Rate Period**

For each subsequent Fiscal Year of each Rate Period, the process established in section 10.2 shall also apply, and after BPA remarkets all Tier 2 Rate purchase amounts and Idaho Falls removes all amounts of its New Resources, then Existing Resources are eligible for resource removal to the extent necessary to comply with section 10.5. By August 31 prior to the applicable Fiscal Year, Idaho Falls may notify BPA of the order and associated amounts of Existing Resource removal for the upcoming Fiscal Year.

If Idaho Falls does not provide BPA with such timely notice, then BPA shall determine the order of and associated amounts of Existing Resource removal for the upcoming Fiscal Year.

**10.4 Extent of Removal for the First Fiscal Year of Each Rate Period**

Tier 2 remarketing and resource removal pursuant to section 10.2 shall apply until:

- (1) the remarketed Tier 2 Rate purchase amounts plus the removed New Resource amounts equal the amount by which Idaho Falls' Tier 2 Rate purchase amounts plus its RHW exceed its Preliminary Net Requirement, or

- (2) all of Idaho Falls' Tier 2 Rate purchase amounts are remarketed and all of its New Resources are removed.

**10.5 Extent of Removal for Subsequent Fiscal Years of Each Rate Period**

For each subsequent Fiscal Year of a Rate Period, Tier 2 remarketing and resource removal pursuant to section 10.3 shall apply as stated in section 10.4. In addition, if Idaho Falls' Preliminary Net Requirement for the applicable subsequent Fiscal Year of a Rate Period is lower than Idaho Falls' Preliminary Net Requirement for the first Fiscal Year of the same Rate Period, then resource removal shall apply to Idaho Falls' Existing Resources. As long as Idaho Falls has Existing Resources to remove, the amount of such removal shall equal the lesser of: (1) the remaining amount that Idaho Falls' RHWM exceeds its Preliminary Net Requirement, or (2) the difference between Idaho Falls' Preliminary Net Requirement for the first Fiscal Year and Idaho Falls' Preliminary Net Requirement for the applicable subsequent Fiscal Year of the Rate Period. If Idaho Falls' Preliminary Net Requirement for the applicable subsequent Fiscal Year of a Rate Period is greater than or equal to Idaho Falls' Preliminary Net Requirement for the first Fiscal Year of the same Rate Period, then resource removal shall not apply to Idaho Falls' Existing Resources.

**10.6 Partial Resource Removal**

When only a portion of a Specified Resource or Unspecified Resource Amounts is being removed pursuant to section 10.2 or 10.3, such resources shall be removed proportionally to maintain the same annual shape for the resource that Idaho Falls has established in Exhibit A.

**10.7 Rounding of Tier 2 Rate Purchase Amounts**

To the extent remarketing of Tier 2 Rate purchase amounts results in an amount less than a whole Average Megawatt, BPA shall round such amount to a whole Average Megawatt.

**10.8 Remarketing of Power Priced at Tier 2 Rates**

Consistent with rates established under the TRM, Idaho Falls shall be subject to applicable charges or credits associated with BPA's remarketing of purchase amounts of Firm Requirements Power at Tier 2 Rates. Except as specified in section 10.9, Idaho Falls shall be responsible for remarketing of any amounts of its Dedicated Resources, Specified or Unspecified, that are removed pursuant to sections 10.2 or 10.3.

**10.9 Removal of Resources Taking DFS**

The following shall apply for any Dedicated Resources: (1) for which Idaho Falls is purchasing DFS under this Agreement, and (2) that are partially or entirely removed in accordance with sections 10.2 or 10.3.

10.9.1 Idaho Falls shall continue to supply the entire amount of any such resources to BPA consistent with applicable provisions stated in Exhibit D.

10.9.2 BPA shall remarket the amounts of any such resources that are removed pursuant to sections 10.2 or 10.3 in the same manner BPA remarkets Tier 2 Rate purchase amounts in section 10.8. BPA shall continue to provide DFS in accordance with applicable provisions in Exhibit D to any amounts of such resources that remain after resource removal.

## 11. RIGHT TO CHANGE PURCHASE OBLIGATION

### 11.1 One-Time Right to Change Purchase Obligation

Subject to this section 11.1, Idaho Falls shall have a one-time right to change its purchase obligation, identified in section 3, to another purchase obligation available from BPA, including Load Following or Block. If Idaho Falls chooses to change its purchase obligation under this section 11.1, then Idaho Falls shall first provide notice to BPA of its intent and then confirm its decision as established below. Any elections of Tier 2 Rate alternatives, Dedicated Resource additions, or other notices given to BPA under this Agreement shall continue to be applicable under the new purchase obligation, provided that BPA may update such terms and conditions consistent with the then current terms of the new purchase obligation, and additional costs may apply for service under the new purchase obligation as described in section 11.1.3.

#### 11.1.1 Notice to Change

By May 31, 2016, Idaho Falls may provide written notice to BPA that it is requesting to change its purchase obligation effective October 1, 2019, subject to confirmation described in section 11.1.4. Idaho Falls' notice shall state the type of service requested.

#### 11.1.2 Limitations Due to Peak Load Increase

By July 31, 2016, BPA shall assess the aggregate effect of all requests to change purchase obligations on BPA's forecast of its total monthly firm coincident peak loads in the first year the changes become effective. If the increase in this peak load in any one month exceeds 300 megawatts, then BPA may, after consulting with Idaho Falls and other customers with a CHWM Contract, do one of the following to reduce the increase in such peak load to 300 megawatts: (1) deny Idaho Falls' request to change its purchase obligation, or (2) approve Idaho Falls' request but defer the date on which Idaho Falls' new purchase obligation change becomes effective.

#### 11.1.3 Charge to Change Purchase Obligation

In addition to the limitations established in section 11.1.2, Idaho Falls may be subject to charges, in addition to the rates for the new service, as a result of changing its purchase obligation pursuant to this section 11.1. Such additional charges shall recover all additional costs that: (1) will be incurred by BPA to serve Idaho Falls under its new purchase obligation compared to its existing purchase obligation, and (2) would otherwise result in a rate impact on all other customers receiving service under a CHWM Contract. If Idaho Falls makes a

request to change its purchase obligation pursuant to this section 11.1, then by August 31, 2016, BPA shall determine and present Idaho Falls with any such additional charges. BPA shall not be required to make a payment to Idaho Falls as a result of Idaho Falls changing its purchase obligation.

**11.1.4 Change Confirmation**

Within 30 days of BPA's presentation to Idaho Falls of the additional charges determined in section 11.1.3, Idaho Falls shall provide BPA with written notice whether it wishes to proceed with its request to change its purchase obligation. If Idaho Falls does not provide BPA with such confirmation, then Idaho Falls' existing purchase obligation identified in section 3 shall continue to apply.

**11.1.5 Amendment to Reflect New Purchase Obligation**

Following Idaho Falls' confirmation of its decision to change its purchase obligation, the Parties shall amend this Agreement to replace the terms of Idaho Falls' current purchase obligation with the terms of the new purchase obligation. The amended Agreement shall be effective no later than October 1, 2019.

**11.2 Additional Rights to Change Purchase Obligation**

In addition to the opportunity to change its purchase obligation provided in section 11.1, Idaho Falls may elect to change its purchase obligation to that stated in section 11.2.4 after the occurrence of any of the events listed in sections 11.2.1 through 11.2.3.

**11.2.1 Simulator Fails Simulator Performance Test**

If, as of October 31, 2010, BPA has failed to perform the Simulator Performance Test, or the Simulator has failed one or more of the four tests that comprise the Simulator Performance Test, then Idaho Falls may change its purchase obligation to that stated in 11.2.4 by providing written notice to BPA in accordance with section 20. Such written notice must be received by BPA no later than January 15, 2011. Unless the Parties agree otherwise, the effective date of the change in purchase obligation to the contingent contract amendment shall be July 1, 2011.

**11.2.2 No Slice Output Energy Available on a Forecasted Basis**

Idaho Falls may change its purchase obligation to that stated in 11.2.4 by providing written notice in accordance with section 20 not later than 60 days after BPA forecasts, prior to the first day of any Fiscal Year, that there will be no Slice Output Energy available for delivery to Idaho Falls during such Fiscal Year and the immediately following Fiscal Year, or in the event there is no Slice Output Energy available to Idaho Falls during any two consecutive Fiscal Years. Unless the Parties agree otherwise, the effective date of the contingent contract amendment shall be October 1 of the Fiscal Year in which BPA has forecasted that there will be no Slice Output Energy available for delivery to Idaho Falls.

### 11.2.3 Changes to Transmission Scheduling Practices

Idaho Falls may change its purchase obligation to that stated in section 11.2.4 by providing written notice to BPA in accordance with section 20 not later than 60 calendar days after BPA, or its successor, adopts standards, rules, practices or procedures, that require Idaho Falls to schedule hourly energy based on Scheduling Points of Receipt for each of the Tier 1 System Resources from which Idaho Falls may receive Slice Output Energy under this Agreement. Unless the Parties agree otherwise, the effective date of the contingent contract amendment shall be October 1 of the Fiscal Year following the date BPA adopts such policy.

### 11.2.4 Alternative Requirements Power Purchase Obligation

Idaho Falls selects the Load Following Power Purchase Obligation as the purchase obligation that it will purchase in the event Idaho Falls changes its purchase obligation under the events specified in sections 11.2.1 through 11.2.3. Not later than the deadlines shown in sections 11.2.1 through 11.2.3, the Parties shall execute a contract amendment for the selected purchase obligation. Such contract amendment shall contain the same terms and conditions as this Agreement, including any elections or choices made under this Agreement that are applicable to the new purchase obligation selected by Idaho Falls.

### 11.2.5 Waiver of Certain Claims for Damages

In the event that Idaho Falls changes its purchase obligation in accordance with this section 11, Idaho Falls agrees not to seek and hereby waives the right, if any such right exists, to pursue any claim for damages from BPA due to any such change. This waiver is limited to any claims Idaho Falls may have arising from changes to Idaho Falls' purchase obligation under this section 11. This waiver has no application to, and Idaho Falls hereby expressly preserves, any claims for damages arising under any other section of this Agreement.

## 12. BILLING CREDITS AND RESIDENTIAL EXCHANGE

### 12.1 Billing Credits

If Idaho Falls develops a Generating Resource to serve its loads, then Idaho Falls agrees that it shall forego any request for, and BPA is not obligated to include, billing credits, as defined in section 6(h) of the Northwest Power Act, on Idaho Falls' bills under this Agreement. This section does not apply to any billing credit contracts in effect as of the Effective Date.

### 12.2 Agreement to Limit Exchange Costs of Existing Resources

Idaho Falls agrees it will not seek and shall not receive residential exchange benefits pursuant to section 5(c) of the Northwest Power Act other than pursuant to Section IV(G) of BPA's 2008 Average System Cost Methodology or its successor. Idaho Falls recognizes that the quantity of residential load will be determined in a subsequent policy or rate determination. Idaho Falls'

agreement in this section 12.2 is a material precondition to BPA offering and executing this Agreement.

**13. SCHEDULING**

Idaho Falls shall schedule power in accordance with Exhibit F.

**14. DELIVERY**

**14.1 Definitions**

14.1.1 "Integrated Network Segment" means those facilities of the Federal Columbia River Transmission System that are required for the delivery of bulk power supplies, the costs for which are recovered through generally applicable transmission rates, and that are identified as facilities in the Integrated Network Segment, or its successor, in the BPA segmentation study for the applicable transmission rate period as determined in a hearing establishing or revising BPA's transmission rates pursuant to section 7(i) of the Northwest Power Act.

14.1.2 "Primary Points of Receipt" means the points on the Pacific Northwest transmission system where Firm Requirements Power is forecasted to be made available by Power Services to Idaho Falls for purposes of obtaining a long-term firm transmission contract.

14.1.3 "Scheduling Points of Receipt" means the points on the Pacific Northwest transmission system where Slice Output Energy is made available by Power Services to Idaho Falls for purposes of transmission scheduling.

**14.2 Transmission Service**

14.2.1 Idaho Falls is responsible for delivery of power from the Scheduling Points of Receipt, except as provided under section 14.6.

14.2.2 Idaho Falls shall provide at least 60 days' notice to Power Services prior to changing Balancing Authority Areas.

14.2.3 At Idaho Falls' request, Power Services shall provide Idaho Falls with Primary Points of Receipt and other information needed to enable Idaho Falls to obtain long-term firm transmission for delivery of power sold under this Agreement. If required by Transmission Services for purposes of transmission scheduling, then Power Services shall provide Idaho Falls with Scheduling Points of Receipt. Power Services has the right to provide power to Idaho Falls at Scheduling Points of Receipt that are different than the Primary Points of Receipt. If BPA does provide power to Idaho Falls at Scheduling Points of Receipt that are different than the Primary Points of Receipt, then BPA shall reimburse Idaho Falls for any incremental, direct, non-administrative costs incurred by Idaho Falls to comply with delivering Firm



Requirements Power from such a Scheduling Point of Receipt to Idaho Falls' load if the following conditions, as outlined in (1) or (2) below, have been met:

- (1) If Idaho Falls has long-term Point to Point (PTP) transmission service (as defined in BPA's Open Access Transmission Tariff) for delivery of Firm Requirements Power to its load:
  - (A) Idaho Falls has requested long-term firm transmission service to deliver its Firm Requirements Power using the Primary Points of Receipt and other information provided by Power Services; and
  - (B) Idaho Falls has submitted a request to redirect its long-term firm PTP transmission service to deliver Firm Requirements Power from the Scheduling Point of Receipt on a firm basis, but that request was not granted; and
  - (C) Idaho Falls' transmission schedule was curtailed due to non-firm status under PTP transmission service or Idaho Falls can provide proof of the reimbursable costs incurred to replace the curtailed schedule.
- (2) If Idaho Falls has long-term Network Integration Transmission Service (as defined in BPA's Open Access Transmission Tariff) for delivery of Firm Requirements Power to its load:
  - (A) Idaho Falls has requested long-term firm transmission service to deliver its Firm Requirements Power using the Primary Points of Receipt and other information provided by Power Services; and
  - (B) Idaho Falls' transmission schedule was curtailed due to non-firm status under its secondary service status and Idaho Falls can provide proof of the reimbursable costs incurred to replace the curtailed schedule.

#### 14.3 Liability for Delivery

Idaho Falls waives any claims against BPA arising under this Agreement for non-delivery of power to any points beyond the applicable Scheduling Points of Receipt, except for reimbursement of costs as described in section 14.2.3. BPA shall not be liable under this Agreement for any third-party claims related to the delivery of power after it leaves the Scheduling Points of Receipt. Neither Party shall 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.

**14.4 Real Power Losses**

BPA is responsible for the real power losses necessary to deliver Tier 1 Block Amounts and Tier 2 Block Amounts to Idaho Falls' PODs listed in Exhibit E.

Idaho Falls shall be responsible for all real power losses associated with the delivery of its Slice Output Energy except BPA shall be responsible for real power losses associated with the delivery of Slice Output Energy across the Third Party Transmission Provider's system to Idaho Falls' PODs listed in Exhibit E.

**14.5 Metering Losses**

BPA shall adjust measured amounts of power to account for losses, if any, that occur between Idaho Falls' PODs and the respective POMs, as specified in Exhibit E.

**14.6 Delivery by Transfer**

Subject to the limitations in this section, BPA agrees to acquire and pay for Transfer Service to deliver Firm Requirements Power and Surplus Firm Power to Idaho Falls' PODs, as listed in Exhibit E, in an amount not to exceed Idaho Falls' Total Retail Load on an hourly basis. In the event that a conflict exists between the provisions of this Agreement and the Agreement Regarding Transfer Service (ARTS) Contract No. 05EO-40043, this Agreement shall govern.

**14.6.1 Ancillary Services**

BPA shall acquire and pay for Ancillary Services, as defined in BPA's Open Access Transmission Tariff, needed for Idaho Falls' Transfer Service subject to the following limitations:

- (1) Idaho Falls shall reimburse BPA for load regulation service or its replacement at the applicable Transmission Services rate, or its successor.
- (2) BPA shall pay for the Ancillary Service(s) charged by a Third-Party Transmission Provider to deliver Firm Requirements Power to the PODs listed in Exhibit E, only if Idaho Falls is also purchasing such Ancillary Service(s) from Transmission Services to deliver Firm Requirements Power to the PODs in Exhibit E. If at any time Idaho Falls is not purchasing Ancillary Service(s) from Transmission Services to deliver Firm Requirements Power to one or more of the PODs listed in Exhibit E, then Idaho Falls shall reimburse BPA for the Ancillary Service(s) charges BPA has incurred from the Third Party Transmission Provider to deliver power to such POD(s), at the applicable or equivalent Transmission Services Ancillary Services rate.

**14.6.2 Low Voltage Delivery**

Low Voltage Delivery is service over the Low Voltage Segment by any Third Party Transmission Provider's system. "Low Voltage Segment"

means the facilities of a Third-Party Transmission Provider that are equivalent to the voltage level of the facilities excluded by Transmission Services from the Integrated Network Segment. For Low Voltage Delivery, Idaho Falls shall pay Power Services the applicable General Transfer Agreement (GTA) Delivery Charge, or its successor rate, consistent with the applicable BPA Wholesale Power Rate Schedules and GRSPs. The Parties shall list Idaho Falls' PODs that require Low Voltage Delivery in Exhibit E.

**14.6.3 Direct Assignment Costs**

Idaho Falls shall pay BPA for all directly assigned costs, including but not limited to: facility or system studies costs, construction costs, upgrade costs, and expansion costs, or other capital costs for facilities directly associated with service to any Idaho Falls PODs assessed by the Third Party Transmission Provider to BPA. Such costs shall be consistent with Transmission Service's "Guidelines for Direct Assignment Facilities," and the "Final Supplemental Guidelines for Direct Assignment of Facilities Costs Incurred Under Transfer Agreements" included in BPA's Long Term Regional Dialogue Final Policy, July 2007, or any other revision of that policy, or as established in a BPA 7(i) Process.

**14.6.4 Penalties Assessed By the Third Party Transmission Provider**

BPA has the right to directly pass through to Idaho Falls any penalty charges assessed by the Third Party Transmission Provider that are associated with BPA's acquisition of Transfer Service to the PODs identified in Exhibit E. Such charges may include, but are not limited to, power factor penalties or excessive energy imbalance penalties.

**14.6.5 Removal of PODs**

BPA may terminate deliveries at a POD if Idaho Falls consents to the termination or if the Parties determine that Idaho Falls' requirements for power at such point may be adequately supplied under reasonable conditions and circumstances at different POD(s): (1) directly from the Federal Columbia River Transmission System, (2) indirectly from the facilities of another transmission owner/operator, or (3) both.

**14.6.6 Annexed Loads**

BPA shall arrange and pay for Transfer Service for federal power deliveries to serve Idaho Falls' Annexed Load. Idaho Falls shall provide BPA written notice of any Annexed Load acquired greater than one Average Megawatt no later than 90 days prior to the commencement of service to the Annexed Load. However, BPA's obligation to provide Transfer Service to Idaho Falls' Annexed Load shall be limited by the megawatt caps and process for Annexed Load and new public customers set forth in BPA's Long Term Regional Dialogue Final Policy, July 2007, or any revision of that policy.

#### 14.6.7 Non-Federal Deliveries

If Idaho Falls has a non-federal resource or is acquiring a non-federal resource necessary to serve its Above-RHWM Load, and Idaho Falls has requested that BPA assist in the acquisition of transmission services for such resource, then BPA shall offer Idaho Falls a separate agreement for specific terms and conditions under which BPA will obtain Transfer Service on a Third Party Transmission Provider's system for delivery of that resource to Idaho Falls' system. The terms of the agreement BPA offers to Idaho Falls shall not be subject to section 22, Governing Law and Dispute Resolution. BPA shall develop the agreement consistent with the principles of service specified in Exhibit G.

### 15. METERING

#### 15.1 Requirements for Meters

BPA shall access Idaho Falls' load meter data for purposes of forecasting and planning. The following requirements shall apply to all meters listed in Exhibit E.

##### 15.1.1 BPA Owned Meters

At BPA's expense, BPA shall operate, maintain, and replace, as necessary all metering equipment owned by BPA that is needed to forecast and plan for Idaho Falls' power needs under this Agreement. Idaho Falls authorizes BPA to maintain and replace any BPA owned meter on Idaho Falls facilities. With reasonable notice from BPA and for the purpose of implementing this provision, Idaho Falls shall grant BPA reasonable physical access to BPA owned meters at BPA's request.

If, at any time, BPA or Idaho Falls determines that a BPA owned meter is defective or inaccurate, then BPA shall adjust, repair, or replace the meter to provide accurate metering as soon as practical.

BPA shall give Idaho Falls access to meter data from the BPA owned meters listed in Exhibit E.

##### 15.1.2 Non-BPA Owned Meters

###### 15.1.2.1 Customer Owned Meters

For all Idaho Falls owned metering equipment that is needed by BPA to forecast and plan for Idaho Falls' power needs under this Agreement, Idaho Falls shall give BPA direct, electronic access to meter data from all Idaho Falls owned meters that are capable of being accessed electronically. For the purpose of inspection, Idaho Falls shall grant BPA reasonable physical access to Idaho Falls' meters at BPA's request.

Idaho Falls shall operate, maintain, and replace, as necessary at Idaho Falls expense, all Idaho Falls owned metering equipment.

If, at any time, BPA or Idaho Falls determines that a Idaho Falls owned meter listed in Exhibit E is defective or inaccurate, then Idaho Falls shall adjust, repair, or replace the meter, or shall make commercially reasonable efforts to arrange for the completion of such actions, to provide accurate metering as soon as practical. BPA shall have the right to witness any meter tests conducted by Idaho Falls on Idaho Falls owned meters listed in Exhibit E and with reasonable advance notice, BPA may conduct tests on such meters. Idaho Falls shall have the right to witness any meter tests conducted by BPA.

**15.1.2.2 Non-BPA Owned Meters Not Owned by Idaho Falls**

For non-BPA owned meters not owned by Idaho Falls needed by BPA to forecast and plan, Idaho Falls shall make commercially reasonable efforts to arrange for such meters to be operated, maintained and replaced, as necessary.

If, at any time, it is determined that a non-BPA owned meter not owned by Idaho Falls listed in Exhibit E is defective or inaccurate, then Idaho Falls shall make commercially reasonable efforts to arrange to adjust, repair, or replace the meter, to provide accurate metering as soon as practical. To the extent possible, BPA may witness any meter tests on non-BPA owned meters not owned by Idaho Falls listed in Exhibit E and, with reasonable advance notice, BPA may conduct tests on such meters. Idaho Falls shall have the right to witness any meter tests conducted by BPA.

**15.1.2.3 Non-BPA Owned Meters Owned by a Third-Party Transmission Provider**

This section 15.1.2 shall not apply to non-BPA owned meters that are owned by a Third-Party Transmission Provider with which BPA holds a transmission contract for service to Idaho Falls load. In these cases the metering arrangements shall be between BPA and the Third-Party Transmission Provider.

**15.1.3 New Meters**

A separate agreement addressing the location, cost responsibility, access, maintenance, testing, and liability of the Parties with respect to new meters shall be between Idaho Falls and Transmission Services.

All new and replaced meters installed by BPA or Idaho Falls shall meet the American National Standard Institute standards, including, but not limited to, C12.20, Electricity Meters--0.2 and 0.5 Accuracy

Classes and the Institute of Electrical and Electronics Engineers, Inc. standard C57.13, Requirements for Instrument Transformers, or their successors. Any new and replaced meters shall be able to record meter data hourly, store data for a minimum of 45 days, and be accessed electronically.

**15.2 Metering an NLSL**

Any loads that are monitored by BPA for an NLSL determination and any NLSLs shall be metered pursuant to section 23.3.4.

**15.3 Metering Exhibit**

Idaho Falls shall provide meter data specified in section 17.3 and shall notify BPA of any changes to PODs, POMs, Interchange Points and related information for which it is responsible. BPA shall list Idaho Falls' PODs and meters in Exhibit E.

**16. BILLING AND PAYMENT**

**16.1 Billing**

BPA shall bill Idaho Falls monthly for all products and services provided during the preceding month(s). BPA may send Idaho Falls an estimated bill followed by a final bill. The Issue Date is the date BPA electronically sends the bill to Idaho Falls. If electronic transmittal of the entire bill is not practical, then BPA shall transmit a summary electronically, and send the entire bill by United States mail.

**16.2 Payment**

Idaho Falls shall pay all bills electronically in accordance with instructions on the bill. Payment of all bills, whether estimated or final, must be received by the 20<sup>th</sup> day after the Issue Date of the bill (Due Date). If the 20<sup>th</sup> day is a Saturday, Sunday, or federal holiday, then the Due Date is the next Business Day.

If Idaho Falls has made payment on an estimated bill then:

- (1) if the amount of the final bill exceeds the amount of the estimated bill, then Idaho Falls shall pay BPA the difference between the estimated bill and final bill by the final bill's Due Date; or
- (2) if the amount of the final bill is less than the amount of the estimated bill, then BPA shall pay Idaho Falls the difference between the estimated bill and final bill by the 20<sup>th</sup> day after the final bill's Issue Date. If the 20<sup>th</sup> day is a Saturday, Sunday, or federal holiday, BPA shall pay the difference by the next Business Day.

**16.3 Late Payments**

After the Due Date, a late payment charge equal to the higher of:

(1) the Prime Rate (as reported in the Wall Street Journal or successor publication in the first issue published during the month in which payment was due) plus 4 percent, divided by 365; or

(2) the Prime Rate times 1.5, divided by 365;

shall be applied each day to any unpaid balance.

#### 16.4 Termination

If Idaho Falls has not paid its bill in full by the Due Date, it shall have 45 days to cure its nonpayment by making payment in full. If Idaho Falls does not provide payment within three Business Days after receipt of an additional written notice from BPA, and BPA determines in its sole discretion that Idaho Falls is unable to make the payments owed, then BPA may terminate this Agreement. Written notices sent under this section 16.4 must comply with section 20.

#### 16.5 Disputed Bills

16.5.1 If Idaho Falls disputes any portion of a charge or credit on Idaho Falls' estimated or final bills, Idaho Falls shall provide written notice to BPA with a copy of the bill noting the disputed amounts. Notwithstanding whether any portion of the bill is in dispute, Idaho Falls shall pay the entire bill by the Due Date. This section 16.5.1 does not allow Idaho Falls to challenge the validity of any BPA rate.

16.5.2 Unpaid amounts on a bill (including both disputed and undisputed amounts) are subject to the late payment charges provided above. Notice of a disputed charge on a bill does not constitute BPA's agreement that a valid claim under contract law has been stated.

16.5.3 If the Parties agree, or if after a final determination of a dispute pursuant to section 22, Idaho Falls 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 shall equal the Prime Rate (as reported in the Wall Street Journal or successor publication in the first issue published during the month in which payment was due) divided by 365.

#### 16.6 Limit of Payment Obligations

16.6.1 The payment obligations of Idaho Falls under this Agreement shall constitute a cost of purchased electric power and energy and an ordinary and necessary expense of the operation of the municipal electric system owned by Idaho Falls. The obligation of Idaho Falls to make the payments provided for in this Agreement shall be limited to the revenues and income of Idaho Falls' electric utility enterprise funds.

16.6.2 BPA and Idaho Falls agree that (1) in no event shall the payment obligations of Idaho Falls under this Agreement be deemed to constitute a prohibited indebtedness or liability of Idaho Falls within the meaning of any constitutional or statutory limitation or restriction, and (2) Idaho Falls shall not be obligated to levy any taxes, general or special, for the purpose of paying to BPA, or to any assignee of BPA, any amount due under this Agreement.

## 17. INFORMATION EXCHANGE AND CONFIDENTIALITY

### 17.1 General Requirements

Upon request, each Party shall provide the other Party with any information that is necessary to administer this Agreement and to forecast Idaho Falls' Total Retail Load, forecast BPA system load, comply with NERC reliability standards, prepare bills, resolve billing disputes, administer Transfer Service, and otherwise implement this Agreement. For example, this obligation includes transmission and power scheduling information and load and resource metering information (such as one-line diagrams, metering diagrams, loss factors, etc.). In addition, Idaho Falls shall provide information BPA requests about Dedicated Resources for purposes of meeting BPA's statutory obligations under section 7(b) of the Northwest Power Act. Information requested under this section 17.1 shall be provided in a timely manner. If Idaho Falls fails to provide BPA with information Idaho Falls is required to provide pursuant to this Agreement and the absence of such information makes it impossible for BPA to perform a calculation, make a determination, or take an action required under this Agreement, then BPA may suspend its obligation to perform such calculation, make such determination, or take such action until Idaho Falls has provided such information to BPA.

### 17.2 Reports

17.2.1 Within 30 days after final approval of Idaho Falls' annual financial report and statements by Idaho Falls' authorized officer, Idaho Falls shall either e-mail them to BPA at [kslf@bpa.gov](mailto:kslf@bpa.gov) or, if any of the information is publicly available, then Idaho Falls shall notify BPA of its availability.

17.2.2 Within 30 days after its submittal to the Energy Information Administration (EIA), or its successor, Idaho Falls shall e-mail a copy of its Annual Form EIA-861 Reports to BPA at [kslf@bpa.gov](mailto:kslf@bpa.gov). If Idaho Falls is not required to submit such reports to the EIA, then this requirement does not apply.

### 17.3 Meter Data

17.3.1 In accordance with section 15 and Exhibit E, the Parties shall notify each other of any changes to PODs, POMs, Interchange Points and related information for which it is responsible. Idaho Falls shall ensure BPA has access to all data from load and resource meters that



BPA determines is necessary to forecast, plan, schedule, and bill under this Agreement. Access to this data shall be on a schedule determined by BPA. Meter data shall be in hourly increments for all meters that record hourly data. Meter data includes, but is not limited to: Idaho Falls' actual amounts of energy used or expended for loads and resources, and the physical attributes of Idaho Falls' meters.

17.3.2 Idaho Falls consents to allow Power Services to receive the following information from Transmission Services or BPA's metering function: (1) Idaho Falls' meter data, as specified in section 17.3.1, section 15, and Exhibit E, and (2) notification of outages or load shifts.

17.3.3 At least 15 calendar days in advance, Idaho Falls shall e-mail BPA at: (1) [mdm@bpa.gov](mailto:mdm@bpa.gov) and (2) the contact shown in section 20 when the following events are planned to occur on Idaho Falls' system that will affect the load measured by the meters listed in Exhibit E: (1) installation of a new meter, (2) changes or updates to an existing meter not owned by BPA, (3) any planned line or planned meter outages, and (4) any planned load shifts from one POD to another. This section 17.3.3 is not intended to apply to retail meters not listed in Exhibit E.

17.3.4 If an unplanned load shift or outage occurs, materially affecting the load measured by the meters listed in Exhibit E, then Idaho Falls shall e-mail BPA at: (1) [mdm@bpa.gov](mailto:mdm@bpa.gov), and (2) the contact shown in section 20 within 72 hours after the event.

**17.4 Data for Determining CHWM and CDQs**

Upon request, Idaho Falls shall provide to BPA any load and resource information that BPA determines is reasonably necessary to calculate Idaho Falls' CHWM and CDQs. This may include historical load data not otherwise available to BPA and other data necessary to allow BPA to adjust for weather normalization.

**17.5 Hourly Total Retail Load Data**

BPA shall notify Idaho Falls by June 30, 2009, if BPA determines that it does not have adequate hourly meter data to calculate Idaho Falls' Total Retail Load. If BPA sends such notification, Idaho Falls shall e-mail the following hourly data to BPA at [kslf@bpa.gov](mailto:kslf@bpa.gov) according to the schedule below. Idaho Falls shall submit such data in a comma-separated-value (csv) format with the time/date stamp in one column and load amounts, with units of measurement specified, in another column.

17.5.1 By December 31, 2009, Idaho Falls shall send to BPA Idaho Falls' actual hourly Total Retail Load data for Fiscal Year 2002 through Fiscal Year 2009.

17.5.2 By December 31, 2010, Idaho Falls shall send to BPA, Idaho Falls' actual hourly Total Retail Load data for each Point of Delivery for Fiscal Year 2010.

17.5.3 By December 31, 2011, and by December 31 of each year thereafter, Idaho Falls shall send BPA Idaho Falls' actual hourly Total Retail Load data for the immediately preceding Fiscal Year.

**17.6 Total Retail Load Forecast**

By June 30, 2011, and by June 30 of each year thereafter, Idaho Falls shall provide BPA a forecast of Idaho Falls' monthly energy and Idaho Falls' system coincidental peak of Idaho Falls' Total Retail Load for the upcoming ten Fiscal Years. Idaho Falls shall e-mail the forecast to BPA at [kslf@bpa.gov](mailto:kslf@bpa.gov), in a comma-separated-value (csv) format. Idaho Falls shall send the csv file with the following data elements in separate columns:

- (1) four-digit calendar year,
- (2) three-character month identifier,
- (3) monthly energy forecast,
- (4) unit measurement of monthly energy forecast,
- (5) monthly Idaho Falls-system coincidental peak forecast, and
- (6) unit measurement of monthly Idaho Falls-system coincidental peak forecast.

**17.7 Transparency of Net Requirements Process**

**17.7.1 Data Made Publicly Available**

By July 31, 2011, and by July 31 every year thereafter, BPA shall make the following information publicly available to Idaho Falls and all other BPA regional utility customers with a CHWM:

- (1) Idaho Falls' measured Total Retail Load data for the previous Fiscal Year in monthly energy amounts and monthly customer-system peak amounts,
- (2) BPA's forecast of Idaho Falls' Total Retail Load, for the upcoming Fiscal Year, in monthly energy amounts and monthly customer-system peak amounts, and
- (3) Idaho Falls' Dedicated Resource energy and peak amounts for the upcoming Fiscal Year and the previous Fiscal Year.

**17.7.2 Waiver of Confidentiality and Comment Process**

Idaho Falls waives all claims of confidentiality regarding the data described above. Idaho Falls may provide comments regarding the published data to BPA within ten Business Days after notification. After reviewing any comments and no later than 60 days from the date BPA originally releases such data, BPA shall make available a

final set of data and an explanation of any changes to Idaho Falls and all other customers with a CHWM.

**17.8 Confidentiality**

Before Idaho Falls provides information to BPA that is confidential, or is otherwise subject to privilege, or nondisclosure, Idaho Falls shall clearly designate such information as confidential. BPA shall notify Idaho Falls as soon as practicable of any request received under the Freedom of Information Act (FOIA), or under any other federal law or court or administrative order, for any confidential information. BPA shall only release such confidential information to comply with FOIA or if required by any other federal law or court or administrative order. BPA shall limit the use and dissemination of confidential information within BPA to employees who need it for purposes of administering this Agreement.

**17.9 Resources Not Used to Serve Total Retail Load**

Idaho Falls shall list in section 6 of Exhibit A all Generating Resources and Contract Resources Idaho Falls owns that are (1) not Specified Resources listed in section 2 of Exhibit A, and (2) greater than 200 kilowatts of nameplate capability. At BPA's request Idaho Falls shall provide BPA with additional data if needed to verify the information listed in section 6 of Exhibit A.

**18. CONSERVATION AND RENEWABLES**

**18.1 Conservation**

**18.1.1 Evaluations**

At BPA's expense, BPA may conduct, and Idaho Falls shall cooperate in, conservation impact and project implementation process evaluations to assess the amount, cost-effectiveness, and reliability of conservation in BPA's or Idaho Falls' service area.

BPA shall select the timing, frequency, and type of such evaluations. BPA shall do so with reasonable consideration of Idaho Falls' and Idaho Falls' consumers' needs.

**18.1.2 Reporting Requirements**

18.1.2.1 This section 18.1.2.1 does not apply if Idaho Falls' Total Retail Load from the most recent prior Fiscal Year is 25 annual Average Megawatts or less, or if Idaho Falls purchases all of its power from BPA to serve its Total Retail Load. Beginning June 1, 2010, and no later than June 1 every 2 years thereafter, Idaho Falls shall submit a 10-year conservation plan stating Idaho Falls' projection of planned conservation, including biennial conservation targets. This requirement may be satisfied by submitting any plans Idaho Falls prepares in the normal course of business if the plans include, or are supplemented by, the information required

above. This includes plans required under state law (such as the Washington State Energy Independence Act (RCW 19.285)).

18.1.2.2 Idaho Falls shall verify and report all cost-effective (as defined by section 3(4) of the Northwest Power Act) non-BPA-funded conservation measures and projects savings achieved by Idaho Falls through the Regional Technical Forum's Planning, Tracking and Reporting System or its successor tool. Verification protocols of conservation measures and projects, reporting timelines and documentation requirements shall comply with BPA's Energy Efficiency Implementation Manual or its successor.

## 18.2 Renewable Resources

### 18.2.1 Renewable Energy Certificates

BPA shall transfer Renewable Energy Certificates (RECs), or their successors, to Idaho Falls in accordance with Exhibit H.

### 18.2.2 Reporting Requirements

This section 18.2.2 does not apply if Idaho Falls' Total Retail Load is 25 annual Average Megawatts or less or if Idaho Falls purchases all of its power from BPA to serve its Total Retail Load. If Idaho Falls' Total Retail Load is above 25 annual Average Megawatts, the following requirements may be satisfied by submitting plans and reports Idaho Falls prepares in the normal course of business as long as such plans and reports include the information required below.

Beginning September 1, 2012, and by September 1 every year thereafter, Idaho Falls shall provide BPA with the following:

- (1) updated information on power forecasted to be generated over the forthcoming calendar year by renewable resources with nameplate capabilities greater than 200 kilowatts, including net metered renewable resources operating behind the BPA meter, used by Idaho Falls to serve its Total Retail Load, under Exhibit A. Such information shall include: project name, fuel type(s), location, date power purchase contract signed, project energization date, capacity, capacity factor, remaining term of purchase (or if direct ownership remaining life of the project), and the percentage of output that will be used to serve Idaho Falls' Total Retail Load that calendar year. Where resources are jointly owned by Idaho Falls and other customers that have a CHWM Contract, Idaho Falls may either submit a report on behalf of all owners or identify the customer that will submit the report;

- (2) the amount of all purchases of RECs used to meet requirements under state or federal law for the forthcoming calendar year; and
- (3) if Idaho Falls is required under state law or by Transmission Services to prepare long-term integrated resource plans or resource forecasts, then Idaho Falls shall provide Power Services with updated copies of such or authorize Transmission Services to provide them directly to Power Services.

**19. RESOURCE ADEQUACY**

By November 30, 2010, and by November 30 each year thereafter, Idaho Falls shall provide to the Pacific Northwest Utilities Conference Committee (PNUCC) or its successor, forecasted loads and resources data to facilitate a region-wide assessment of loads and resources in a format, length of time, and level of detail specified in PNUCC's Northwest Regional Forecast Data Request.

After consultation with the Regional Resource Adequacy Forum, or a successor, BPA may require Idaho Falls to submit additional data to the Northwest Power and Conservation Council (Council) that BPA determines is necessary for the Council to perform a regional resource adequacy assessment.

The requirements of this section 19 are waived if Idaho Falls purchases from BPA all of its power to serve its Total Retail Load.

**20. NOTICES AND CONTACT INFORMATION**

Any notice required under this Agreement that requires such notice to be provided under the terms of this section shall be provided in writing to the other Party in one of the following ways:

- (1) delivered in person;
- (2) by a nationally recognized delivery service with proof of receipt;
- (3) by United States Certified Mail with return receipt requested;
- (4) electronically, if both Parties have means to verify the electronic notice's origin, date, time of transmittal and receipt; or
- (5) by another method agreed to by the Parties.

Notices are effective when received. Either Party may change the name or address for delivery of notice by providing notice of such change or other mutually agreed method. The Parties shall deliver notices to the following person and address:

If to Idaho Falls:

Idaho Falls Power  
140 South Capital  
P.O. Box 50220  
Idaho Falls, ID 83405-0220  
Attn: Jo Elg  
Assistant Manager  
Phone: 208-612-8430  
FAX: 208-612-8435  
E-Mail: jelg@ifpower.org

If to BPA:

Bonneville Power Administration  
2700 Overland Avenue  
Burley, ID 83318-3273  
Attn: Larry D King - PSE  
Account Executive  
Phone: 208-678-9492  
FAX: 208-678-4538  
E-Mail: ldking@bpa.gov

## 21. UNCONTROLLABLE FORCES

21.1 A Party shall not be in breach of an obligation under this Agreement to the extent its failure to fulfill the obligation is due to an Uncontrollable Force. "Uncontrollable Force" means an event beyond the reasonable control, and without the fault or negligence, of the Party claiming the Uncontrollable Force, that prevents that Party from performing its obligations under this Agreement and which that Party could not have avoided by the exercise of reasonable care, diligence and foresight. Uncontrollable Forces include each event listed below, to the extent it satisfies the foregoing criteria, but are not limited to these listed events:

- (1) any curtailment or interruption of firm transmission service on BPA's or a Third Party Transmission Provider's System that prevents delivery of Firm Requirements Power sold under this Agreement to Idaho Falls;
- (2) any failure of Idaho Falls' distribution or transmission facilities that prevents Idaho Falls from delivering power to end-users;
- (3) strikes or work stoppage;
- (4) floods, earthquakes, other natural disasters, or terrorist acts; and
- (5) final orders or injunctions issued by a court or regulatory body having subject matter jurisdiction which the Party claiming the Uncontrollable Force, after diligent efforts, was unable to have stayed, suspended, or set aside pending review by a court having subject matter jurisdiction.

21.2 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.

21.3 If an Uncontrollable Force prevents a Party from performing any of its obligations under this Agreement, such Party shall:

- (1) immediately notify the other Party of such Uncontrollable Force by any means practicable and confirm such notice in writing as soon as reasonably practicable;
- (2) use commercially reasonable efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance of its obligation hereunder as soon as reasonably practicable;
- (3) keep the other Party apprised of such efforts on an ongoing basis; and
- (4) provide written notice of the resumption of performance.

Written notices sent under this section must comply with section 20.

## **22. GOVERNING LAW AND DISPUTE RESOLUTION**

This Agreement shall be interpreted consistent with and governed by federal law. Idaho Falls and BPA shall identify issue(s) in dispute arising out of this Agreement and make a good faith effort to negotiate a resolution of such disputes before either may initiate litigation or arbitration. Such good faith effort shall include discussions or negotiations between the Parties' executives or managers. Pending resolution of a contract dispute or contract issue between the Parties or through formal dispute resolution of a contract dispute arising out of this Agreement, the Parties shall continue performance under this Agreement unless to do so would be impossible or impracticable. Unless the Parties engage in binding arbitration as provided for in this section 22, the Parties reserve their rights to individually seek judicial resolution of any dispute arising under this Agreement.

### **22.1 Judicial Resolution**

Final actions subject to section 9(e) of the Northwest Power Act are not subject to arbitration under this Agreement and shall remain within the exclusive jurisdiction of the United States Court of Appeals for the Ninth Circuit. Such final actions include, but are not limited to, the establishment and the implementation of rates and rate methodologies. Any dispute regarding any rights or obligations of Idaho Falls or BPA under any rate or rate methodology, or BPA policy, including the implementation of such policy, shall not be subject to arbitration under this Agreement. For purposes of this section 22, 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 or regulation. If BPA determines that a dispute is excluded from arbitration under this section 22, then Idaho Falls may apply to the federal court having jurisdiction for an order determining whether such dispute is subject to nonbinding arbitration under this section 22.

### **22.2 Arbitration**

Any contract dispute or contract issue between the Parties arising out of this Agreement, which is not excluded by section 22.1 above, shall be subject to arbitration, as set forth below.

Idaho Falls may request that BPA engage in binding arbitration to resolve any dispute. If Idaho Falls requests such binding arbitration and BPA determines in its sole discretion that binding arbitration of the dispute is appropriate under BPA's Binding Arbitration Policy or its successor, then BPA shall engage in such binding arbitration, provided that the remaining requirements of this section 22.2 and sections 22.3 and 22.4 are met. BPA may request that Idaho Falls engage in binding arbitration to resolve any dispute. In response to BPA's request, Idaho Falls may agree to binding arbitration of such dispute, provided that the remaining requirements of this section 22.2 and sections 22.3 and 22.4 are met. Before initiating binding arbitration, the Parties shall draft and sign an agreement to engage in binding arbitration, which shall set forth the precise issue in dispute, the amount in controversy and the maximum monetary award allowed, pursuant to BPA's Binding Arbitration Policy or its successor.

Nonbinding arbitration shall be used to resolve any dispute arising out of this contract that is not excluded by section 22.1 above and is not resolved via binding arbitration, unless Idaho Falls notifies BPA that it does not wish to proceed with nonbinding arbitration.

**22.3 Arbitration Procedure**

Any arbitration shall take place in Portland, Oregon, unless the Parties agree otherwise. The Parties agree that a fundamental purpose for arbitration is the expedient resolution of disputes; therefore, the Parties shall make best efforts to resolve an arbitrable dispute within 1 year of initiating arbitration. The rules for arbitration shall be agreed to by the Parties.

**22.4 Arbitration Remedies**

The payment of monies shall be the exclusive remedy available in any arbitration proceeding pursuant to this section 22. This shall not be interpreted to preclude the Parties from agreeing to limit the object of arbitration to the determination of facts. Under no circumstances shall specific performance be an available remedy against BPA.

**22.5 Finality**

22.5.1 In binding arbitration, the arbitration award shall be final and binding on the 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 arbitrator(s) may be entered by any court having jurisdiction thereof.

22.5.2 In nonbinding arbitration, the arbitration award is not binding on the Parties. Each Party shall notify the other Party within 30 calendar days, or such other time as the Parties otherwise agreed to, whether it accepts or rejects the arbitration award. Subsequent to nonbinding arbitration, if either Party rejects the arbitration award, either Party may seek judicial resolution of the dispute, provided that such suit is



brought no later than 395 calendar days after the date the arbitration award was issued.

**22.6 Arbitration Costs**

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

**23. STATUTORY PROVISIONS**

**23.1 Retail Rate Schedules**

Idaho Falls shall make its retail rate schedules available to BPA, as required by section 5(a) of the Bonneville Project Act, P.L. 75-329, within 30 days of each of Idaho Falls' retail rate schedule effective dates. This requirement may be satisfied by Idaho Falls informing BPA of its public website where such information is posted and kept current.

**23.2 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 Idaho Falls a written notice that BPA may restrict service to Idaho Falls. 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 Idaho Falls' load to be restricted and the expected duration of the restriction. BPA shall not change that methodology without the written agreement of all public body, cooperative, federal agency and investor-owned utility customers in the Region purchasing federal power from BPA under section 5(b) of the Northwest Power Act. Such restriction shall take effect no sooner than 5 years after BPA provides notice to Idaho Falls. If BPA imposes a restriction under this provision then the amount of Firm Requirements Power that BPA is obligated to provide and that Idaho Falls is obligated to purchase pursuant to section 3 and Exhibit C shall be reduced to the amounts available under such allocation methodology for restricted service.

**23.3 New Large Single Loads and CF/CTs**

**23.3.1 Determination of an NLSL**

In accordance with BPA's NLSL Policy, BPA may determine that a load is an NLSL as follows:

23.3.1.1 BPA shall determine an increase in production load to be an NLSL if any load associated with a new facility, an existing facility, or an expansion of an existing facility, which is not contracted for, or committed to (CF/CT), as determined by the

Administrator, by a public body, cooperative, investor-owned utility, or federal agency customer prior to September 1, 1979, and which will result in an increase in power requirements of such customer of ten Average Megawatts (87,600,000 kilowatt-hours) or more in any consecutive 12-month period.

23.3.1.2 For the sole purpose of computing the increase in energy consumption between any two consecutive 12-month periods of comparison under this section 23.3.1, reductions in the end-use consumer's load associated with a facility during the first 12-month period of comparison due to unusual events reasonably beyond the control of the end-use consumer shall be determined by BPA, and the energy consumption shall be computed as if such reductions had not occurred.

23.3.1.3 The Parties may agree that the installed production equipment at a facility will exceed 10 Average Megawatts consumption over any 12 consecutive months and such agreement shall constitute a binding NLSL determination.

#### 23.3.2 Determination of a Facility

BPA shall make a written determination as to what constitutes a single facility, for the purpose of identifying an NLSL, based on the following criteria:

- (1) whether the load is operated by a single end-use consumer;
- (2) whether the load is in a single location;
- (3) whether the load serves a manufacturing process which produces a single product or type of product;
- (4) whether separable portions of the load are interdependent;
- (5) whether the load is contracted for, served or billed as a single load under Idaho Falls' customary billing and service policy;
- (6) consideration of the facts from previous similar situations; and
- (7) any other factors the Parties determine to be relevant.

#### 23.3.3 Administrative Obligations and Rights

23.3.3.1 Idaho Falls' CF/CT loads and NLSLs are listed in Exhibit D.

23.3.3.2 Idaho Falls shall provide reasonable notice to BPA of any expected increase in a single load that may qualify as an NLSL. The Parties shall list any such potential NLSLs in Exhibit D. If BPA determines that any load associated with a

single facility is capable of growing 10 Average Megawatts or more in a consecutive 12-month period, then such load shall be subject to monitoring as determined necessary by BPA.

23.3.3.3 When BPA makes a request, Idaho Falls shall provide physical access to its substations and other service locations where BPA needs to perform inspections or gather information for purposes of implementing section 3(13) of the Northwest Power Act, including but not limited to making a final NLSL, facility, or CF/CT determination. Idaho Falls shall make a request to the end-use consumer to provide BPA, at reasonable times, physical access to inspect a facility for these purposes.

23.3.3.4 Unless the Parties agree pursuant to section 23.3.1.3 above, BPA shall determine whether a new load or an increase in existing load at a facility is an NLSL. If BPA determines that the load is an NLSL, BPA shall notify Idaho Falls and the Parties shall add the NLSL to Exhibit D to reflect BPA's determination.

**23.3.4 Metering an NLSL**

For any loads that are monitored by BPA for an NLSL determination, and for any loads at any facility that is determined by BPA to be an NLSL, BPA may, in its sole discretion, install BPA owned meters. If the Parties agree otherwise, Idaho Falls may install meters meeting the exact specification BPA provides to Idaho Falls. Idaho Falls and BPA shall enter into a separate agreement for the location, ownership, cost responsibility, access, maintenance, testing, replacement and liability of the Parties with respect to such meters. Idaho Falls shall arrange for metering locations that allow accurate measurement of the facility's load. Idaho Falls shall arrange for BPA to have physical access to such meters and Idaho Falls shall ensure BPA has access to all NLSL meter data that BPA determines is necessary to forecast, plan, schedule, and bill for power.

**23.3.5 Undetermined NLSLs**

If BPA does not determine at the outset that an increase in load is an NLSL, then the Parties shall install metering equipment as required by section 23.3.4 above, and BPA shall bill Idaho Falls for the increase in load at the applicable PF rate during any consecutive 12-month monitoring period. If BPA later determines that the increase in load is an NLSL, then BPA shall revise Idaho Falls' bill to reflect the difference between the applicable PF rate and the applicable NR rate in effect for the monitoring period in which the increase takes place. Idaho Falls shall pay that bill with simple interest computed from the start of the monitoring period to the date the payment is made. The daily interest rate shall equal the Prime Rate (as reported in the Wall Street Journal or successor publication in the first issue published

during the month in which the monitoring period began) divided by 365.

If BPA concludes in its sole judgment that Idaho Falls has not fulfilled its obligations, or has not been able to obtain access or information from the end-use consumer under sections 23.3.3 and 23.3.4, BPA may determine any load subject to NLSL monitoring to be an NLSL, in which case Idaho Falls shall be billed and pay in accordance with the last two sentences of the preceding paragraph. Such NLSL determination shall be final unless Idaho Falls proves to BPA's satisfaction that the applicable load did not exceed 10 Average Megawatts in any 12-month monitoring period.

**23.3.6 Service Elections for an NLSL**

Idaho Falls shall serve all NLSLs with Dedicated Resource amounts in Exhibit A that are not already being used to serve Idaho Falls' Total Retail Load in the region. Idaho Falls agrees to provide such Dedicated Resources on a continuous basis as identified in Exhibit A. Under no circumstances shall BPA be required to acquire firm power for service to such NLSLs.

**23.3.7 Consumer-Owned Resources Serving an NLSL**

**23.3.7.1 Renewable Resource/Cogeneration Exception**

An end-use consumer served by Idaho Falls, with a facility whose load is, in whole or in part, an NLSL, may reduce its NLSL to less than 10 Average Megawatts in a consecutive 12-month period by applying an onsite renewable resource or onsite cogeneration behind Idaho Falls' meter to its facility load. Idaho Falls shall ensure that such resource is continuously applied to serve the NLSL, consistent with BPA's "Renewables and On-Site Cogeneration Option under the NLSL Policy" portion of its Policy for Power Supply Role for Fiscal Years 2007-2011, adopted February 4, 2005, and the NLSL policy included in BPA's Long Term Regional Dialogue Final Policy, July 2007, as amended or replaced. If the NLSL end-use consumer meets the qualification for the exception, then the Parties shall: (1) list the Consumer-Owned Resource serving the NLSL in section 7.4 of Exhibit A and (2) amend Exhibit D to add the onsite renewable resource or cogeneration facility and the requirements for such service.

**23.3.7.2 Consumer-Owned Resources that are not Renewable Resources/Cogeneration**

If Idaho Falls serves an NLSL with a Consumer-Owned Resource that does not qualify for the renewable resource or cogeneration exception, the Parties shall list such Consumer-Owned Resource serving the NLSL in section 7.4 of Exhibit A.

**23.4 Priority of Pacific Northwest Customers**

The provisions of sections 9(c) and 9(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. Idaho Falls, together with other customers in the Region, shall have priority to BPA power consistent with such provisions.

**23.5 Prohibition on Resale**

Idaho Falls shall not resell Firm Requirements Power except to serve Idaho Falls' Total Retail Load or as otherwise permitted by federal law.

**23.6 Use of Regional Resources**

23.6.1 Within 60 days prior to the start of each Fiscal Year, Idaho Falls shall provide notice to BPA 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 and that Idaho Falls plans to export for sale outside the Region in the next Fiscal Year. For purposes of this section 23.6, "Firm Power" means electric power which is continuously made available from Idaho Falls' operation of generation or from its purchased power, which is able to meet its Total Retail Load, except when such generation or power is curtailed or restricted due to an Uncontrollable Force. Firm Power includes firm energy and firm peaking energy or both.

BPA may request and Idaho Falls shall provide within 30 days of such request, additional information on Idaho Falls' sales and dispositions of non-federal resources if BPA has information that Idaho Falls may have made such an export and not notified BPA. BPA may request and Idaho Falls shall provide within 30 days of such request, information on the planned use of any or all of Idaho Falls Generating and Contract Resources.

During any Purchase Period that Idaho Falls has no purchase obligation for Firm Requirements Power under section 3, Idaho Falls shall have no obligation to notify BPA of its exports under this section; *provided, however*, Idaho Falls shall provide notification of all applicable exports in Purchase Periods when it has a purchase obligation.

23.6.2 Idaho Falls 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 planned to be used to serve firm consumer load in the Region.

23.6.3 If Idaho Falls fails to report to BPA in accordance with section 23.6.1, 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 BPA makes a finding that an export which was not reported was made, BPA shall

decrement the amount of its Firm Requirements Power sold under this Agreement by the amount of the export that was not reported and by any continuing export amount. Decrements under the preceding sentence shall be first to power that would otherwise be provided at Tier 1 Rates. When applicable, such decrements shall be identified in section 3.2 of Exhibit A.

23.6.4 For purposes of this section 23.6, 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, which contract will be performed in a manner that such output is no longer used or 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 5(b)/9(c) Policy will not be considered an export. Firm Power from a Generating Resource or a Contract Resource used to serve firm consumer load in the Region means the firm generating or load carrying capability of a Generating Resource or a Contract Resource as established under PNCA resource planning criteria, or other resource planning criteria generally used for such purposes within the Region.

**23.7 BPA Appropriations Refinancing**

The Parties agree that the provisions of section 3201(i) of the Bonneville Power Administration Refinancing section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (BPA Refinancing Act), P.L. 104-134, 110 Stat. 1321, 350, as stated in the United States Code on the Effective Date, are incorporated by reference and are a material term of this Agreement.

**24. STANDARD PROVISIONS**

**24.1 Amendments**

Except where this Agreement explicitly allows for one Party to unilaterally amend a provision or exhibit, no amendment of this Agreement shall be of any force or effect unless set forth in writing and signed by authorized representatives of each Party.

**24.2 Entire Agreement and Order of Precedence**

This Agreement, including documents expressly incorporated by reference, constitutes the entire agreement between the Parties with respect to the subject matter of this Agreement. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement. The body of this Agreement shall prevail over the exhibits to this Agreement in the event of a conflict.

**24.3 Assignment**

This Agreement is binding on any successors and assigns of the Parties. 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. Without limiting the foregoing, BPA's refusal to consent to assignment shall not be considered unreasonable if, in BPA's sole discretion: (1) the sale of power by BPA to the assignee would violate any applicable statute, or (2) such sale might adversely affect the tax-exempt status of bonds issued as part of an issue that finances or refinances the Columbia Generating Station or that such sale might limit the ability to issue future tax-exempt bonds to finance or refinance the Columbia Generating Station. Idaho Falls may not transfer or assign this Agreement to any of its retail consumers.

**24.4 No Third-Party Beneficiaries**

This Agreement is made and entered into for the sole benefit of the Parties, and the Parties intend that no other person or entity shall be a direct or indirect beneficiary of this Agreement.

**24.5 Waivers**

No waiver of any provision or breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving Party, and any such waiver shall not be deemed a waiver of any other provision of this Agreement or of any other breach of this Agreement.

**24.6 BPA Policies**

Any reference in this Agreement to BPA policies, including any revisions, does not constitute agreement of Idaho Falls to such policy by execution of this Agreement, nor shall it be construed to be a waiver of the right of Idaho Falls to seek judicial review of any such policy.

**24.7 Rate Covenant and Payment Assurance**

Idaho Falls agrees that it shall establish, maintain and collect rates or charges sufficient to assure recovery of its costs for power and energy and other services, facilities and commodities sold, furnished or supplied by it through any of its electric utility properties. BPA may require additional forms of payment assurance if: (1) BPA determines that such rates and charges may not be adequate to provide revenues sufficient to enable Idaho Falls to make the payments required under this Agreement, or (2) BPA identifies in a letter to Idaho Falls that BPA has other reasonable grounds to conclude that Idaho Falls may not be able to make the payments required under this Agreement. If Idaho Falls does not provide payment assurance satisfactory to BPA, then BPA may terminate this Agreement. Written notices sent under this section must comply with section 20.

**25. TERMINATION**

**25.1 BPA's Right to Terminate**

BPA may terminate this Agreement if:

- (1) Idaho Falls fails to make payment as required by section 16.4, or
- (2) Idaho Falls fails to provide payment assurance satisfactory to BPA as required by section 24.7.

Such termination is without prejudice to any other remedies available to BPA under law.

**25.2 Customer's Right to Terminate**

Idaho Falls may provide written notice to terminate this Agreement not later than 60 days after: (1) a Final FERC Order is issued declining to approve the Tiered Rate Methodology (if BPA seeks FERC's confirmation and approval of it), (2) FERC issues a final declaratory order finding that the TRM does not meet cost recovery standards, or (3) FERC issues a Final FERC Order that determines rates established consistent with the TRM cannot be approved because the TRM precludes the establishment of rates consistent with cost recovery. The notice shall include a date of termination not later than 90 days after the date of such notice. For purposes of this section 25.2, "Final FERC Order" means a dispositive order by FERC on the merits, and does not include any interim order. A dispositive order on the merits is, for purposes of this section, final when issued and there is no need to await a FERC order on rehearing before the decision is considered final.

**26. SIGNATURES**

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

CITY OF IDAHO FALLS DBA IDAHO  
FALLS POWER

UNITED STATES OF AMERICA  
Department of Energy  
Bonneville Power Administration

By \_\_\_\_\_

By \_\_\_\_\_

Name Jared Fuhriman  
*(Print/Type)*

Name Larry D King  
*(Print/Type)*

Title Mayor

Title Account Executive

Date \_\_\_\_\_

Date \_\_\_\_\_

(PSE-W:\POWER\CONTRACT\CUSTOMER\IDAHO FALLS\13056\13056.DOC) 11/04/08



**Exhibit A  
NET REQUIREMENTS AND RESOURCES**

**1. NET REQUIREMENTS**

Idaho Falls' Net Requirement equals its Total Retail Load minus Idaho Falls' Dedicated Resources determined pursuant to section 3.3 of the body of this Agreement and listed in sections 2, 3, and 4 of this exhibit. The Parties shall not add or remove resource amounts to change Idaho Falls' purchase obligations from BPA under section 3.1 of the body of this Agreement except in accordance with sections 3.5 and 10 of the body of this Agreement.

BPA shall annually calculate a forecast of Idaho Falls' Net Requirement for the upcoming Fiscal Year as follows:

**1.1 Forecast of Total Retail Load**

By September 15, 2011, and by each September 15 thereafter, BPA shall fill in the table below with Idaho Falls' Total Retail Load forecast (submitted pursuant to section 17.6 of the body of this Agreement) for the upcoming Fiscal Year. BPA shall notify Idaho Falls by July 31 immediately preceding the start of the Fiscal Year if BPA determines Idaho Falls' submitted forecast is reasonable or not reasonable. If BPA determines Idaho Falls' submitted forecast is not reasonable, then BPA shall fill in the table below with a forecast BPA determines to be reasonable by September 15 immediately preceding the start of the Fiscal Year.

Idaho Falls may submit to arbitration, which may be binding arbitration under a separate agreement or nonbinding arbitration as agreed to by the Parties, pursuant to section 22 of the body of the Agreement, the issue of the reasonableness of BPA's forecast of Idaho Falls' Total Retail Load used by BPA to fill in the table below. Such arbitration shall not include issues of the interpretation or application of BPA's policies with respect to such forecast, including without limitation BPA's 5(b)/9(c) Policy.

<b>Annual Forecast of Monthly Total Retail Load</b>													
	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>annual aMW</b>
<b>Fiscal Year 2012</b>													
<b>Energy (MWh)</b>													
<b>Peak (MW)</b>													
<b>Fiscal Year 2013</b>													
<b>Energy (MWh)</b>													
<b>Peak (MW)</b>													
<b>Fiscal Year 2014</b>													
<b>Energy (MWh)</b>													
<b>Peak (MW)</b>													
<b>Fiscal Year 2015</b>													
<b>Energy (MWh)</b>													
<b>Peak (MW)</b>													

Annual Forecast of Monthly Total Retail Load													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
Fiscal Year 2016													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2017													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2018													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2019													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2020													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2021													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2022													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2023													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2024													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2025													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2026													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2027													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2028													
Energy (MWh)													
Peak (MW)													

Notes: Fill in the table above with megawatt-hours rounded to whole megawatt-hours, with megawatts rounded to one decimal place, and annual Average Megawatts rounded to three decimal places.

**1.2 Forecast of Net Requirements**

By September 15, 2011, and by each September 15 thereafter, BPA shall calculate, and fill in the table below with, Idaho Falls' Net Requirement forecast for the upcoming Fiscal Year by month. Idaho Falls' Net Requirement forecast equals Idaho Falls' Total Retail Load forecast, shown in section 1.1 above, minus Idaho Falls' Dedicated Resource amounts, shown in section 5 below.

On a planning basis Idaho Falls shall serve that portion of its Total Retail Load that is not served with Firm Requirements Power with Idaho Falls' Dedicated Resources.

Annual Forecast of Monthly Net Requirements													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
Fiscal Year 2012													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2013													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2014													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2015													
Energy (MWh)													
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Energy (MWh)													
Peak (MW)													
Fiscal Year 2020													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2021													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2022													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2023													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2024													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2025													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2026													
Energy (MWh)													
Peak (MW)													

Annual Forecast of Monthly Net Requirements													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
Fiscal Year 2027													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2028													
Energy (MWh)													
Peak (MW)													

Note: Fill in the table above with megawatt-hours rounded to whole megawatt-hours, with megawatts rounded to one decimal place, and annual Average Megawatts rounded to three decimal places.

2. LIST OF SPECIFIED RESOURCES

2.1 Generating Resources

All of Idaho Falls' Generating Resources that are Specified Resources are listed below.

(1) Gem State

(A) Special Provisions  
None.

(B) Resource Profile

Fuel Type	Date Resource Dedicated to Load	Date of Resource Removal	Percent of Resource Used to Serve Load	Nameplate Capability (MW)
Hydro	10/1988	N/A	61%	23.4

Statutory Status		Resource Status		DFS or SCS?		Dispatchable?		PNCA?		If PNCA, PNCA Updates?	
5b1A	5b1B	Existing	New	Yes	No	Yes	No	Yes	No	Yes	No
	X	X					X		X		

Note: Fill in the table above with "X"s.

(C) Specified Resource Amounts

Specified Resource Amounts													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
Fiscal Year 2012													
Total (MWh)	5702	6875	6368	7099	7106	6871	6875	0	0	0	0	4106	5.806
HLH (MWh)	3188	3814	3561	3817	4084	3995	3820	0	0	0	0	2190	5.796
LLH (MWh)	2514	3061	2807	3282	3022	2876	3056	0	0	0	0	1916	5.820
Peak (MW)													

Specified Resource Amounts													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
<b>Fiscal Year 2013</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3814	3424	3969	3921	3847	3972	0	0	0	0	2190	5.792
LLH (MWh)	2391	3061	2944	3130	2940	3024	2903	0	0	0	0	1916	5.798
Peak (MW)													
<b>Fiscal Year 2014</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3814	3424	3969	3921	3847	3972	0	0	0	0	2281	5.810
LLH (MWh)	2391	3061	2944	3130	2940	3024	2903	0	0	0	0	1825	5.774
Peak (MW)													
<b>Fiscal Year 2015</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3662	3561	3969	3921	3847	3972	0	0	0	0	2281	5.807
LLH (MWh)	2391	3214	2807	3130	2940	3024	2903	0	0	0	0	1825	5.778
Peak (MW)													
<b>Fiscal Year 2016</b>													
Total (MWh)	5702	6875	6368	7099	7106	6871	6875	0	0	0	0	4106	5.806
HLH (MWh)	3311	3662	3561	3817	4084	3995	3972	0	0	0	0	2281	5.820
LLH (MWh)	2391	3214	2807	3282	3022	2876	2903	0	0	0	0	1825	5.788
Peak (MW)													
<b>Fiscal Year 2017</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3188	3814	3561	3817	3921	3995	3820	0	0	0	0	2281	5.781
LLH (MWh)	2514	3061	2807	3282	2940	2876	3056	0	0	0	0	1825	5.811
Peak (MW)													
<b>Fiscal Year 2018</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3188	3814	3424	3969	3921	3995	3820	0	0	0	0	2190	5.785
LLH (MWh)	2514	3061	2944	3130	2940	2876	3056	0	0	0	0	1916	5.807
Peak (MW)													
<b>Fiscal Year 2019</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3814	3424	3969	3921	3847	3972	0	0	0	0	2190	5.792
LLH (MWh)	2391	3061	2944	3130	2940	3024	2903	0	0	0	0	1916	5.798
Peak (MW)													
<b>Fiscal Year 2020</b>													
Total (MWh)	5702	6875	6368	7099	7106	6871	6875	0	0	0	0	4106	5.806
HLH (MWh)	3311	3814	3424	3969	4084	3847	3972	0	0	0	0	2281	5.824
LLH (MWh)	2391	3061	2944	3130	3022	3024	2903	0	0	0	0	1825	5.783
Peak (MW)													
<b>Fiscal Year 2021</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3662	3561	3817	3921	3995	3972	0	0	0	0	2281	5.806
LLH (MWh)	2391	3214	2807	3282	2940	2876	2903	0	0	0	0	1825	5.779
Peak (MW)													
<b>Fiscal Year 2022</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3188	3814	3561	3817	3921	3995	3972	0	0	0	0	2281	5.812
LLH (MWh)	2514	3061	2807	3282	2940	2876	2903	0	0	0	0	1825	5.771
Peak (MW)													

Specified Resource Amounts													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
<b>Fiscal Year 2023</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3188	3814	3561	3817	3921	3995	3820	0	0	0	0	2281	5.781
LLH (MWh)	2514	3061	2807	3282	2940	2876	3056	0	0	0	0	1825	5.811
Peak (MW)													
<b>Fiscal Year 2024</b>													
Total (MWh)	5702	6875	6368	7099	7106	6871	6875	0	0	0	0	4106	5.806
HLH (MWh)	3188	3814	3424	3969	4084	3847	3972	0	0	0	0	2190	5.800
LLH (MWh)	2514	3061	2944	3130	3022	3024	2903	0	0	0	0	1916	5.815
Peak (MW)													
<b>Fiscal Year 2025</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3814	3424	3969	3921	3847	3972	0	0	0	0	2281	5.810
LLH (MWh)	2391	3061	2944	3130	2940	3024	2903	0	0	0	0	1825	5.774
Peak (MW)													
<b>Fiscal Year 2026</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3662	3561	3969	3921	3847	3972	0	0	0	0	2281	5.807
LLH (MWh)	2391	3214	2807	3130	2940	3024	2903	0	0	0	0	1825	5.778
Peak (MW)													
<b>Fiscal Year 2027</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3662	3561	3817	3921	3995	3972	0	0	0	0	2281	5.806
LLH (MWh)	2391	3214	2807	3282	2940	2876	2903	0	0	0	0	1825	5.779
Peak (MW)													
<b>Fiscal Year 2028</b>													
Total (MWh)	5702	6875	6368	7099	7106	6871	6875	0	0	0	0	4106	5.806
HLH (MWh)	3188	3814	3561	3817	4084	3995	3820	0	0	0	0	2281	5.795
LLH (MWh)	2514	3061	2807	3282	3022	2876	3056	0	0	0	0	1825	5.820
Peak (MW)													

Notes: Fill in the table above with megawatt-hours rounded to whole megawatt-hours, with megawatts rounded to one decimal place, and annual Average Megawatts rounded to three decimal places.

**2.2 Contract Resources**

Idaho Falls does not have any Contract Resources that are Specified Resources at this time.

**3. UNSPECIFIED RESOURCE AMOUNTS**

**3.1 Unspecified Resource Amounts Used to Serve Total Retail Load**

Idaho Falls does not have any Unspecified Resource Amounts at this time.

**3.2 Unspecified Resource Amounts for 9(c) Export Decrements**

BPA shall insert a table below pursuant to section 3.5.3 of the body of this Agreement.

4. **DEDICATED RESOURCE AMOUNTS FOR AN NLSL**

Idaho Falls does not have any Dedicated Resource amounts serving an NLSL at this time, in accordance with section 3.5.7 of the body of this Agreement.

5. **TOTAL DEDICATED RESOURCE AMOUNTS**

The amounts in the table below equal the sum of all resource amounts used to serve Idaho Falls' Total Retail Load listed above in sections 2, 3, and 4.

Dedicated Resource Amounts													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
<b>Fiscal Year 2012</b>													
Total (MWh)	5702	6875	6368	7099	7106	6871	6875	0	0	0	0	4106	5.806
HLH (MWh)	3188	3814	3561	3817	4084	3995	3820	0	0	0	0	2190	5.796
LLH (MWh)	2514	3061	2807	3282	3022	2876	3056	0	0	0	0	1916	5.820
Peak (MW)													
<b>Fiscal Year 2013</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3814	3424	3969	3921	3847	3972	0	0	0	0	2190	5.792
LLH (MWh)	2391	3061	2944	3130	2940	3024	2903	0	0	0	0	1916	5.798
Peak (MW)													
<b>Fiscal Year 2014</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3814	3424	3969	3921	3847	3972	0	0	0	0	2281	5.810
LLH (MWh)	2391	3061	2944	3130	2940	3024	2903	0	0	0	0	1825	5.774
Peak (MW)													
<b>Fiscal Year 2015</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3662	3561	3969	3921	3847	3972	0	0	0	0	2281	5.807
LLH (MWh)	2391	3214	2807	3130	2940	3024	2903	0	0	0	0	1825	5.778
Peak (MW)													
<b>Fiscal Year 2016</b>													
Total (MWh)	5702	6875	6368	7099	7106	6871	6875	0	0	0	0	4106	5.806
HLH (MWh)	3311	3662	3561	3817	4084	3995	3972	0	0	0	0	2281	5.820
LLH (MWh)	2391	3214	2807	3282	3022	2876	2903	0	0	0	0	1825	5.788
Peak (MW)													
<b>Fiscal Year 2017</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3188	3814	3561	3817	3921	3995	3820	0	0	0	0	2281	5.781
LLH (MWh)	2514	3061	2807	3282	2940	2876	3056	0	0	0	0	1825	5.811
Peak (MW)													
<b>Fiscal Year 2018</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3188	3814	3424	3969	3921	3995	3820	0	0	0	0	2190	5.785
LLH (MWh)	2514	3061	2944	3130	2940	2876	3056	0	0	0	0	1916	5.807
Peak (MW)													
<b>Fiscal Year 2019</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3814	3424	3969	3921	3847	3972	0	0	0	0	2190	5.792
LLH (MWh)	2391	3061	2944	3130	2940	3024	2903	0	0	0	0	1916	5.798
Peak (MW)													

**Dedicated Resource Amounts**

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
<b>Fiscal Year 2020</b>													
Total (MWh)	5702	6875	6368	7099	7106	6871	6875	0	0	0	0	4106	5.806
HLH (MWh)	3311	3814	3424	3969	4084	3847	3972	0	0	0	0	2281	5.824
LLH (MWh)	2391	3061	2944	3130	3022	3024	2903	0	0	0	0	1825	5.783
Peak (MW)													
<b>Fiscal Year 2021</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3662	3561	3817	3921	3995	3972	0	0	0	0	2281	5.806
LLH (MWh)	2391	3214	2807	3282	2940	2876	2903	0	0	0	0	1825	5.779
Peak (MW)													
<b>Fiscal Year 2022</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3188	3814	3561	3817	3921	3995	3972	0	0	0	0	2281	5.812
LLH (MWh)	2514	3061	2807	3282	2940	2876	2903	0	0	0	0	1825	5.771
Peak (MW)													
<b>Fiscal Year 2023</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3188	3814	3561	3817	3921	3995	3820	0	0	0	0	2281	5.781
LLH (MWh)	2514	3061	2807	3282	2940	2876	3056	0	0	0	0	1825	5.811
Peak (MW)													
<b>Fiscal Year 2024</b>													
Total (MWh)	5702	6875	6368	7099	7106	6871	6875	0	0	0	0	4106	5.806
HLH (MWh)	3188	3814	3424	3969	4084	3847	3972	0	0	0	0	2190	5.800
LLH (MWh)	2514	3061	2944	3130	3022	3024	2903	0	0	0	0	1916	5.815
Peak (MW)													
<b>Fiscal Year 2025</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3814	3424	3969	3921	3847	3972	0	0	0	0	2281	5.810
LLH (MWh)	2391	3061	2944	3130	2940	3024	2903	0	0	0	0	1825	5.774
Peak (MW)													
<b>Fiscal Year 2026</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3662	3561	3969	3921	3847	3972	0	0	0	0	2281	5.807
LLH (MWh)	2391	3214	2807	3130	2940	3024	2903	0	0	0	0	1825	5.778
Peak (MW)													
<b>Fiscal Year 2027</b>													
Total (MWh)	5702	6875	6368	7099	6861	6871	6875	0	0	0	0	4106	5.794
HLH (MWh)	3311	3662	3561	3817	3921	3995	3972	0	0	0	0	2281	5.806
LLH (MWh)	2391	3214	2807	3282	2940	2876	2903	0	0	0	0	1825	5.779
Peak (MW)													
<b>Fiscal Year 2028</b>													
Total (MWh)	5702	6875	6368	7099	7106	6871	6875	0	0	0	0	4106	5.806
HLH (MWh)	3188	3814	3561	3817	4084	3995	3820	0	0	0	0	2281	5.795
LLH (MWh)	2514	3061	2807	3282	3022	2876	3056	0	0	0	0	1825	5.820
Peak (MW)													

Notes: Fill in the table above with megawatt-hours rounded to whole megawatt-hours, with megawatts rounded to one decimal place, and annual Average Megawatts rounded to three decimal places.



6. **LIST OF RESOURCES NOT USED TO SERVE TOTAL RETAIL LOAD**  
 Pursuant to section 17 of the body of this Agreement, all Generating Resources and Contract Resources Idaho Falls owns that are: (1) not Specified Resources listed in section 2 of Exhibit A, and (2) greater than 200 kilowatts of nameplate capability, are listed below.

(1) **Bulb Turbines**

(A) **Resource Profile**

Fuel Type	Type of Resource		Percent of Resource Not Used to Serve Load	Nameplate Capability (MW)
	Generating Resource	Contract Resource		
Hydro	X		100%	24.0

(B) **Expected Resource Output**

Expected Output - Energy (aMW)									
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual aMW	18.100	18.100	18.100	18.100	18.100	18.100	18.100	18.100	18.100
Fiscal Year	2021	2022	2023	2024	2025	2026	2027	2028	
Annual aMW	18.100	18.100	18.100	18.100	18.100	18.100	18.100	18.100	

Note: Fill in the table above with annual Average Megawatts rounded to three decimal places.

(2) **Gem State**

(A) **Resource Profile**

Fuel Type	Type of Resource		Percent of Resource Not Used to Serve Load	Nameplate Capability (MW)
	Generating Resource	Contract Resource		
Hydro	X		39%	23.4

(B) **Expected Resource Output**

Expected Output - Energy (aMW)									
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual aMW	3.712	3.712	3.712	3.712	3.712	3.712	3.712	3.712	3.712
Fiscal Year	2021	2022	2023	2024	2025	2026	2027	2028	
Annual aMW	3.712	3.712	3.712	3.712	3.712	3.712	3.712	3.712	

Note: Fill in the table above with annual Average Megawatts rounded to three decimal places.

7. **LIST OF CONSUMER-OWNED RESOURCES**

7.1 **Consumer-Owned Resources Serving Onsite Consumer Load**

Pursuant to section 3.6 of the body of this Agreement, Idaho Falls does not have any Consumer-Owned Resources serving Onsite Consumer Load at this time.

**7.2 Consumer-Owned Resources Serving Load Other than Onsite Consumer Load**

Pursuant to section 3.6 of the body of this Agreement Idaho Falls does not have any Consumer-Owned Resources serving load other than Onsite Consumer Load at this time.

**7.3 Consumer-Owned Resources Serving Both Onsite Consumer Load and Load Other than Onsite Consumer Load**

Pursuant to section 3.6 of the body of this Agreement, Idaho Falls does not have any Consumer-Owned Resources serving both Onsite Consumer Load and load other than Onsite Consumer Load at this time.

**7.4 Consumer-Owned Resources Serving an NLSL**

Pursuant to section 23.3.7 of the body of this Agreement, Idaho Falls does not have any Consumer-Owned Resources serving an NLSL at this time.

**8. REVISIONS**

BPA shall revise this exhibit to reflect: (1) Idaho Falls' elections regarding the application and use of all resources owned by Idaho Falls and Idaho Falls' retail consumers and (2) BPA's determinations relevant to this exhibit and made in accordance with this Agreement.

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**Exhibit B**  
**HIGH WATER MARKS AND CONTRACT DEMAND QUANTITIES**

**1. CONTRACT HIGH WATER MARK (CHWM)**

**1.1 CHWM Amount**

By September 15, 2011, BPA shall fill in the table below with Idaho Falls' CHWM. Once established, Idaho Falls' CHWM shall not change for the term of this Agreement except as allowed in section 1.2 of this exhibit.

<b>CHWM (annual aMW):</b>	
Note: BPA shall round the number in the table above to three decimal places.	

**1.2 Changes to CHWM**

If a change is made to Idaho Falls' CHWM pursuant to this section 1.2, then BPA shall determine and notify Idaho Falls of the date such change will be effective as follows:

1.2.1 If a load included in Idaho Falls' Measured 2010 Load, as defined in the TRM, is later found to have been an NLSL in FY 2010, then BPA shall reduce Idaho Falls' CHWM by the amount of the NLSL. BPA shall notify Idaho Falls 30 days prior to when the updated CHWM will become effective. Idaho Falls shall be liable for payment of any charges to adjust for the ineligible Tier 1 PF rate purchases dating back to October 1, 2011.

1.2.2 If Idaho Falls acquires an Annexed Load from a utility that has a CHWM, then BPA shall increase Idaho Falls' CHWM by adding part of the other utility's CHWM to Idaho Falls' CHWM. The CHWM increase shall be effective on the date that Idaho Falls begins service to the Annexed Load. BPA shall establish the amount of the CHWM addition as follows:

- (1) If Idaho Falls and the other utility involved in the annexation agree on the amount of the CHWM addition, then BPA shall adopt that amount if BPA determines such amount is reasonable.
- (2) If Idaho Falls and the other utility cannot agree on the amount of the CHWM addition, or if BPA determines the amount agreed to in section 1.2.2(1) of this exhibit is unreasonable, then the amount of the CHWM addition shall equal the calculated amount below; provided however, BPA may adjust the calculated amount below to reflect the division of Dedicated Resources between the utilities and other pertinent information advanced by Idaho Falls and the other utility:

$$\left[ \frac{\text{Annexed Load minus annexed NLSLs, if any}}{\text{Other utility's pre-annexation Total Retail Load minus total NLSLs, if any}} \right] \times \left[ \text{Other utility's pre-annexation CHWM} \right]$$

1.2.3 If another utility with a CHWM annexes load of Idaho Falls, then BPA shall reduce Idaho Falls' CHWM by adding part of Idaho Falls' CHWM to the other utility's CHWM. The CHWM reduction shall be effective on the date that the other utility begins service to the Annexed Load. BPA shall establish the amount of the CHWM reduction as follows:

- (1) If Idaho Falls and the other utility involved in the annexation agree on the amount of the CHWM reduction, then BPA shall adopt that amount if BPA determines such amount is reasonable.
- (2) If Idaho Falls and the other utility cannot agree on the amount of the CHWM reduction, or if BPA determines the amount agreed to in section 1.2.3(1) of this exhibit is unreasonable, then the amount of the CHWM reduction shall equal the calculated amount below; *provided however*, BPA may adjust the calculated amount below to reflect the division of Dedicated Resources between the utilities and other pertinent information advanced by Idaho Falls and the other utility:

$$\left[ \frac{\text{Annexed Load minus annexed NLSLs, if any}}{\text{Idaho Falls' pre-annexation Total Retail Load minus total NLSLs, if any}} \right] \times \left[ \text{Idaho Falls' pre-annexation CHWM} \right]$$

1.2.4 BPA may change Idaho Falls' CHWM if BPA's Administrator determines that BPA is required by court order about an Annexed Load to make such changes. BPA shall determine the effective date of such a change and shall update this exhibit with the changed CHWM.

**2. CONTRACT DEMAND QUANTITIES (CDQs)**

**2.1 CDQ Amounts**

By September 15, 2011, BPA shall fill in the table below with Idaho Falls' monthly CDQs. Calculation of such CDQs is established in the TRM. Idaho Falls' monthly CDQs shall not change for the term of this Agreement except as allowed below.

Monthly Contract Demand Quantities												
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
kW												

Note: BPA shall round the amounts in the table above to the nearest whole kilowatt.

**2.2 Changes Due to Annexation**

The Parties shall determine when changes to Idaho Falls' CDQs, as allowed below, will become effective.

2.2.1 If Idaho Falls acquires an Annexed Load from a utility that has monthly CDQs, then BPA shall increase Idaho Falls' CDQ for each month by adding the portion of the other utility's monthly CDQ that is attributable to such Annexed Load. For each month, the sum of Idaho Falls' and the other utility's post-annexation CDQs shall not exceed the sum of the pre-annexation CDQs for such utilities. BPA shall establish the amount of the CDQ additions as follows:

- (1) If Idaho Falls and the other utility involved in the annexation agree on the amounts of the CDQ additions, then BPA shall adopt those amounts.
- (2) If Idaho Falls and the other utility cannot agree on the amounts of the CDQ additions, then BPA shall determine the amounts based on the monthly load factors of the Annexed Load.

2.2.2 If another utility with monthly CDQs annexes load of Idaho Falls, then BPA shall reduce Idaho Falls' CDQ for each month by removing the portion of Idaho Falls' monthly CDQ that is attributable to the load that was annexed. For each month, the sum of Idaho Falls' and the other utility's post-annexation CDQs shall not exceed the sum of the pre-annexation CDQs for such utilities. BPA shall establish the amount of the CDQ reductions as follows:

- (1) If Idaho Falls and the other utility involved in the annexation agree on the amounts of the CDQ reductions, then BPA shall adopt those amounts.
- (2) If Idaho Falls and the other utility cannot agree on the amounts of the CDQ reductions, then BPA shall determine the amounts based on the monthly load factors of the Annexed Load.

**3. REVISIONS**

BPA may revise this exhibit to the extent allowed in sections 1 and 2 of this exhibit. All other changes shall be made by mutual agreement.

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**Exhibit C  
PURCHASE OBLIGATIONS**

**1. DETERMINATION OF TIER 1 BLOCK AMOUNTS**

**1.1 Determination of Annual Tier 1 Block Amounts**

By September 15, 2011, and by each September 15 thereafter, BPA shall enter in the table below Idaho Falls' annual Tier 1 Block Amount as determined pursuant to section 4.3.1 of the body of this Agreement.

<b>Annual Tier 1 Block Amounts</b>		
<b>Fiscal Year</b>	<b>Annual Tier 1 Block Amount (aMW)</b>	<b>Annual Tier 1 Block Amount (MWh)</b>
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		

**1.2 Flat Within-Month Shape**

Idaho Falls' monthly Tier 1 Block Amounts, expressed in MWh, shall be determined based on the Monthly Shaping Factors. Idaho Falls' Monthly Shaping Factors that are used to determine monthly Tier 1 Block Amounts shall be determined as follows:

**1.2.1 Monthly Shaping Factors for a Flat Within-Month Shape**

Idaho Falls' Monthly Shaping Factors for a Flat Within-Month Shape shall be determined in accordance with section 1.2.1.2 of this exhibit, using Idaho Falls' "monthly 2010 load values" and "annual 2010 load value" as determined in accordance with section 1.2.1.1 of this exhibit.

**1.2.1.1 Calculation of Monthly and Annual 2010 Load Values**

Each "monthly 2010 load value" for Idaho Falls shall be equal to Idaho Falls' monthly Total Retail Load for FY 2010, as adjusted in accordance with sections 4.1.1.1 and 4.1.1.2 of the

TRM. Idaho Falls' "annual 2010 load value" shall be equal to the sum Idaho Falls' "monthly 2010 load values" for all months of FY 2010.

**1.2.1.2 Calculation of Monthly Shaping Factors for a Flat Within-Month Shape**

Idaho Falls' Monthly Shaping Factors for a Flat Within-Month Shape shall be determined as follows:

- (1) The "monthly shape numerator" shall be equal to (a) the "monthly 2010 load value" for the corresponding month in FY 2010 minus (b) Idaho Falls' Existing Resource amounts for the each month of FY 2012, as listed in section 2 of Exhibit A, expressed in MWh;
- (2) The "monthly shape denominator" shall be equal to (a) the "annual 2010 load value," minus (b) the sum of Idaho Falls' Existing Resource amounts for the all months of FY 2012, as listed in section 2 of Exhibit A, expressed in MWh; and
- (3) The Monthly Shaping Factors for a Flat Within-Month Shape shall be equal to (a) the "monthly shape numerator" for each month, divided by (b) the "monthly shape denominator" for each such month, rounded to three decimal places and set forth in the table below.

Monthly Shaping Factors													
Month	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
Monthly Shaping Factor													1.000

**1.3 Monthly Tier 1 Block Amounts**

The monthly Tier 1 Block Amounts for each month of each Fiscal Year, beginning with FY 2012, shall be equal to: (1) the annual Tier 1 Block Amount as specified in section 1.1 of this exhibit multiplied by (2) the Monthly Shaping Factor for the corresponding month as specified in section 1.2 of this exhibit, rounded to a whole number. BPA shall enter such amounts into the table below. Due to rounding, total megawatt-hour deliveries during any Fiscal Year may be slightly different than the megawatt-hours stated in section 1.1 of this exhibit. Idaho Falls shall schedule the monthly Tier 1 Block Amounts as flat as possible on all hours of each month.

Monthly Tier 1 Block Amounts (MWh)												
FY	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
2012												
2013												
2014												
2015												

Monthly Tier 1 Block Amounts (MWh)												
FY	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
2016												
2017												
2018												
2019												
2020												
2021												
2022												
2023												
2024												
2025												
2026												
2027												
2028												

**2. FIRM REQUIREMENTS POWER AT TIER 2 RATES**

**2.1 Notice to Purchase Zero Amounts at Tier 2 Rates**

If Idaho Falls elects not to purchase Firm Requirements Power at Tier 2 Rates for a Purchase Period, then by March 31 immediately following the corresponding Notice Deadline, BPA shall update this exhibit to indicate such election by adding an "X" to the applicable cell in the following table. Such election means that for the Purchase Period specified below, Idaho Falls shall: (1) purchase zero amounts of Firm Requirements Power at Tier 2 Rates, and (2) serve all of its Above-RHWM Load with power other than Firm Requirements Power.

Zero Tier 2	Purchase Period
	FY 2012 - FY 2014
	FY 2015 - FY 2019
	FY 2020 - FY 2024
	FY 2025 - FY 2028

**2.2 Tier 2 Load Growth Rate**

Idaho Falls shall not have the right to purchase Firm Requirements Power at Tier 2 Load Growth Rates for the term of this Agreement.

**2.3 Tier 2 Vintage Rates**

**2.3.1 Election Process**

**2.3.1.1 Right to Convert**

Subject to the amounts of power BPA makes available at one or more Tier 2 Vintage Rates, Idaho Falls shall have the right to convert some or all of the amounts of Firm Requirements Power it has elected to purchase at Tier 2 Short-Term Rates, as stated in section 2.4 of this exhibit, to an equal purchase amount at Tier 2 Vintage Rates.



**2.3.1.2 Statement of Intent**

If Idaho Falls elects to purchase Firm Requirements Power from BPA at Tier 2 Vintage Rates, then Idaho Falls shall sign a Statement of Intent offered by BPA. "Statement of Intent" means a statement prepared by BPA and signed by Idaho Falls that describes the approach and cost structure that will be used for a specific Tier 2 Cost Pool. If BPA establishes a Tier 2 Cost Pool for a Tier 2 Vintage Rate consistent with the Statement of Intent, then Idaho Falls agrees to have the portion of its Tier 2 Rate power purchase specified in the Statement of Intent priced at that rate. If BPA is unable to establish the Tier 2 Cost Pool for the specific Tier 2 Vintage Rate, then Idaho Falls agrees to purchase such amount of Firm Requirements Power at Tier 2 Short-Term Rates, except as stated in section 2.3.1.5 of this exhibit.

**2.3.1.3 Insufficient Availability**

The Statement of Intent shall include procedures to allocate between competing applications for a specific Tier 2 Cost Pool if requests exceed amounts available.

**2.3.1.4 Conversion Costs**

Upon establishment of a Tier 2 Vintage Rate for which Idaho Falls signed a Statement of Intent, Idaho Falls shall be liable for payment of any outstanding costs under Tier 2 Short-Term Rates that apply to Idaho Falls. Such costs shall be those that BPA: (1) is obligated to pay and will not recover from Idaho Falls under Tier 2 Short-Term Rates as a result of the conversion, and (2) is unable to recover through other transactions. BPA shall determine such costs, if any, in the first 7(i) Process that establishes the applicable Tier 2 Vintage Rate. In no event shall BPA make payment to Idaho Falls as a result of Idaho Falls' conversion of purchase amounts at Tier 2 Short-Term Rates to purchase amounts at Tier 2 Vintage Rates.

**2.3.1.5 Additional Offerings**

In addition to the right to convert to Tier 2 Vintage Rates established in section 2.3.1.1 of this exhibit, Idaho Falls may have the opportunity to purchase Firm Requirements Power at Tier 2 Vintage Rates regardless of whether Idaho Falls is purchasing at Tier 2 Short-Term Rates if:

- (1) BPA determines, in its sole discretion, that all requests for service at Tier 2 Vintage Rates by purchasers of Firm Requirements Power at Tier 2 Short-Term Rates are able to be satisfied, and

- (2) BPA determines, in its sole discretion, to offer Idaho Falls a Statement of Intent that would provide Idaho Falls the opportunity to purchase Firm Requirements at Tier 2 Vintage Rates.

If Idaho Falls signs a Statement of Intent offered by BPA pursuant to this section 2.3.1.5, and if BPA is unable to establish the Tier 2 Cost Pool for the applicable Tier 2 Vintage Rate, then Idaho Falls' current elections for service to its Above-RHWM Load shall continue to apply.

Except as provided in this section 2.3.1, any election by Idaho Falls to purchase Firm Requirements Power at Tier 2 Vintage Rates shall not relieve Idaho Falls of any obligation to purchase Firm Requirements Power at another Tier 2 Rate.

**2.3.1.6 Exhibit Updates**

By September 15 immediately following the establishment of a Tier 2 Vintage Rate for which Idaho Falls signed a Statement of Intent, BPA shall amend this exhibit to show Idaho Falls' Tier 2 Vintage Rate purchases and remove Idaho Falls' Tier 2 Short-Term Rate purchases by the amounts purchased at the Tier 2 Vintage Rate, if Idaho Falls is converting to the Tier 2 Vintage Rate from the Tier 2 Short-Term Rate. BPA shall insert applicable tables, terms, and conditions for each Tier 2 Vintage Rate in section 2.3.2 of this exhibit.

**2.3.2 Vintage Rate Elections**

Idaho Falls has no Tier 2 Vintage Rate elections at this time.

**2.4 Tier 2 Short-Term Rate**

If Idaho Falls elects by the applicable Notice Deadline to purchase Firm Requirements Power at Tier 2 Short-Term Rates for a Purchase Period, then in its election Idaho Falls shall state its purchase amounts of such power for each year of the corresponding Purchase Period. By March 31 immediately following each Notice Deadline, BPA shall update the table below with:

- (1) Idaho Falls' purchase amounts, if any, at Tier 2 Short-Term Rates for the corresponding Purchase Period, or (2) a zero purchase amount if Idaho Falls does not elect to purchase Firm Requirements Power at Tier 2 Short-Term Rates for the corresponding Purchase Period.

Tier 2 Short-Term Rate Table					
Fiscal Year	2012	2013	2014	2015	2016
aMW					
Fiscal Year	2017	2018	2019	2020	2021
aMW					

Tier 2 Short-Term Rate Table					
Fiscal Year	2022	2023	2024	2025	2026
aMW					
Fiscal Year	2027	2028			
aMW					
Note: Insert whole megawatt amounts for each year of the applicable Purchase Period.					

2.5 **Amounts of Power to be Billed at Tier 2 Rates**

Prior to each Fiscal Year and consistent with Idaho Falls' elections, BPA shall determine the amounts, if any, of Firm Requirements Power at Tier 2 Rates that need to be remarketed subject to section 10 of the body of this Agreement. By September 15 of each Fiscal year beginning September 15, 2011, BPA shall update the table below for the upcoming Fiscal Year with: (1) the annual average amounts of Firm Requirements Power which Idaho Falls shall purchase at each applicable Tier 2 Rate, (2) any remarketed Tier 2 Rate purchase amounts, and (3) the total amount of Firm Requirements Power priced at Tier 2 Rates, net of any remarketed amounts.

Annual Amounts Priced at Tier 2 Rates (aMW)									
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
No Tier 2 at this time									
Minus Remarketed Amounts									
Total Amount at Tier 2									
Fiscal Year	2021	2022	2023	2024	2025	2026	2027	2028	
No Tier 2 at this time									
Minus Remarketed Amounts									
Total Amount at Tier 2									
Notes:									
1. List each applicable Tier 2 rate in the table above. For the first applicable Tier 2 rate replace <b>No Tier 2 at this time</b> with the name of the applicable Tier 2 rate. For each additional Tier 2 rate, add a new row above the <b>Remarketed Amounts</b> row. If Idaho Falls elects not to purchase at Tier 2 rates, then leave <b>No Tier 2 at this time</b> in the table and leave the remainder of the table blank.									
2. Fill in the table above with whole annual Average Megawatts.									

3. **MONTHLY PF RATES**

Applicable monthly Tier 1 and Tier 2 Rates are specified in BPA Wholesale Power Rate Schedules and GRSPs.

4. **REVISIONS**

BPA shall revise this exhibit to reflect Idaho Falls' elections regarding service to its Above-RHWM Load and BPA's determinations relevant to this exhibit and made in accordance with this Agreement.

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**Exhibit D**  
**ADDITIONAL PRODUCTS AND SPECIAL PROVISIONS**

**1. CF/CT AND NEW LARGE SINGLE LOADS**

**1.1 CF/CT Loads**

Idaho Falls has no loads identified that were contracted for, or committed to (CF/CT), as of September 1, 1979, as defined in section 3(13)(A) of the Northwest Power Act.

**1.2 Potential NLSLs**

Idaho Falls has no identified potential NLSLs.

**1.3 Existing NLSLs**

Idaho Falls has no existing NLSLs.

**2. RESOURCE SUPPORT SERVICES**

RSS is only available to Idaho Falls to support resources that are Specified Resources used to serve Total Retail Load that are added after September 30, 2006. Idaho Falls' purchase of RSS shall include all support services necessary to convert the actual scheduled output from the resource being supported into a flat annual block.

2.1 BPA shall develop the RSS products to support applicable Specified Resources listed in section 2 of Exhibit A for the FY 2012-2014 Purchase Period and offer such as a revision to this exhibit by August 1, 2009. Prior to that date, BPA shall provide Idaho Falls a reasonable opportunity to provide input into the development of the products and the related contract provisions. If Idaho Falls requests that BPA provide such service, then the Parties shall execute a revision to this exhibit by the November 1, 2009, Notice Deadline. By each Notice Deadline thereafter, Idaho Falls may purchase RSS from BPA to support applicable Specified Resources listed in section 2 of Exhibit A for the corresponding Purchase Period.

2.2 If Idaho Falls adds a new Specified Resource within a Purchase Period to meet its obligations to serve Above-RHWM Load with Dedicated Resources, consistent with section 3.5.1 of the body of this Agreement, Idaho Falls may purchase RSS from BPA to support such resource. Such purchase shall be for the remainder of the Purchase Period and for the following Purchase Period. Idaho Falls shall notify BPA of its decision to purchase RSS for a new Specified Resource by October 31 of a Rate Case Year and the elected RSS will be effective at the start of the upcoming Rate Period.

**3. SCHEDULING ERROR COMPENSATION**

This provision replaces the letter agreement dated March 17, 2003, signed by both Idaho Falls and BPA, regarding the Slice scheduling protocol.

On March 1, 2003, BPA instituted a new Slice scheduling protocol under which BPA notifies PacifiCorp (PAC) when a real time schedule change for Idaho Falls is

submitted to BPA by Idaho Falls' scheduling agent. This protocol is intended to eliminate scheduling discrepancies created in the event BPA fails to notify PAC of a real time schedule change received from Idaho Falls' scheduling agent.

For the term of this Agreement, if Idaho Falls incurs a charge which Idaho Falls believes was due to BPA failing to notify PAC of a schedule change by Idaho Falls' scheduling agent, Idaho Falls shall send the bill, along with the date, time, copy of the Slice computer application acceptance document or the SysGenID of the acceptance document, and the energy amount being disputed to BPA. BPA will verify whether the scheduling discrepancy was a result of BPA not notifying PAC. If BPA verifies the discrepancy was a BPA error, BPA shall then credit Idaho Falls on the succeeding final power bill for the portion attributable to the verified discrepancy of the costs billed Idaho Falls. Scheduling discrepancies that occur due to an Uncontrollable Force as defined in this Agreement will not be credited.

**4. REVISIONS**

This exhibit shall be revised by mutual agreement of the Parties to reflect additional products Idaho Falls purchases during the term of this Agreement.

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**Exhibit E  
METERING**

**1. METERING**

**1.1 Directly Connected Points of Delivery and Load Metering**  
None.

**1.2 Transfer Points of Delivery and Load Metering**

- (1) **BPA POD Name:** Sugar Mill 46 kV;  
**BPA POD Number:** 668;  
**WECC Balancing Authority:** PACE;

**Location:** the point in PacifiCorp's dba Rocky Mountain Power Sugar Mill Substation where the 46 kV facilities of Rocky Mountain Power and Idaho Falls are connected;

**Voltage:** 46 kV;

**Metering:**

- (A) in Idaho Falls' Sugar Mill Substation in the 46 kV circuit over which such electric power flows;
- (i) **BPA Meter Point Name:** Sugar Mill #1 Out;  
**BPA Meter Point Number:** 529;  
**Direction for PF Billing Purposes:** Positive;  
**Manner of Service:** Transfer, Rocky Mountain Power to Idaho Falls;
- (ii) **BPA Meter Point Name:** Sugar Mill #2 Out;  
**BPA Meter Point Number:** 564;  
**Direction for PF Billing Purposes:** Positive;  
**Manner of Service:** Transfer, Rocky Mountain Power to Idaho Falls;
- (B) in Idaho Falls' Upper Plant Generation Station in the 4.16 kV circuit over which such electric power flows;
- BPA Meter Point Name:** Upper Plant Out;  
**BPA Meter Point Number:** 196;  
**Direction for PF Billing Purposes:** Positive;  
**Manner of Service:** Directly connected to Idaho Falls' distribution system;
- (C) in Idaho Falls' Lower Plant Generation Station in the 4.16 kV circuit over which such electric power flows;

**BPA Meter Point Name:** Lower Plant Out;  
**BPA Meter Point Number:** 197;  
**Direction for PF Billing Purposes:** Positive;  
**Manner of Service:** Directly connected to Idaho Falls' distribution system;

- (D) in Idaho Falls' City Plant Generation Station in the 4.16 kV circuit over which such electric power flows;

**BPA Meter Point Name:** City Plant Out;  
**BPA Meter Point Number:** 207;  
**Direction for PF Billing Purposes:** Positive;  
**Manner of Service:** Directly connected to Idaho Falls' distribution system;

- (E) in Idaho Falls' Old Lower Plant Generation Station in the 2.4. kV circuit over which such electric power flows;

**BPA Meter Point Name:** Old Lower Plant Out;  
**BPA Meter Point Number:** 296;  
**Direction for PF Billing Purposes:** Positive;  
**Manner of Service:** Directly connected to Idaho Falls' distribution system;

**Metering Loss Adjustment:** BPA shall adjust for losses between the POD and the Upper Plant Out, Lower Plant Out, City Plant Out, and Old Lower Plant Out POMs. Such adjustments shall be specified in writing between BPA and Idaho Falls. Losses are not applicable at Sugar Mill;

**Exception:** BPA and Idaho Falls are not physically connected, other than BPA's Westside Substation. BPA exchanges power with Rocky Mountain Power, and Rocky Mountain Power serves Idaho Falls' load. The amounts of electric power, energy, and varhours delivered to Idaho Falls shall be the coincidental sum of electric power, energy, and varhours measured at the Sugar Mill POD, Idaho Falls' Upper, Lower, Old Lower, and City Hydro POMs, Gem State POM, and Westside. The entire output of the Upper, Lower, Old Lower, and City Hydro facilities are currently sold to BPA.

- (2) **BPA POD Name:** Westside 46 kV;  
**BPA POD Number:** 843;  
**WECC Balancing Authority:** PACE;

**Location:** the point in BPA's Westside Substation where the 46 kV facilities of BPA and Idaho Falls are connected;



Voltage: 46 kV;

**Metering:**

- (A) in Rocky Mountain Power's Sugar Mill Substation in the 161 kV circuit over which such electric power flows;
- (i) **BPA Meter Point Name:** Sugar Mill-Westside Out;  
**BPA Meter Point Number:** 1277;  
**Direction for PF Billing Purposes:** Positive;  
**Manner of Service:** Transfer, Rocky Mountain Power to BPA to Idaho Falls;
  - (ii) **BPA Meter Point Name:** Sugar Mill-Westside In;  
**BPA Meter Point Number:** 1278;  
**Direction for PF Billing Purposes:** Negative;  
**Manner of Service:** Transfer, Idaho Falls to BPA to Rocky Mountain Power;
- (B) in BPA's Westside Substation in the 161 kV circuit over which such electric power flows;
- (i) **BPA Meter Point Name:** Westside Out;  
**BPA Meter Point Number:** 1407;  
**Direction for PF Billing Purposes:** Positive;  
**Manner of Service:** Transfer, Rocky Mountain Power to BPA to Idaho Falls;
  - (ii) **BPA Meter Point Name:** Westside In;  
**BPA Meter Point Number:** 1408;  
**Direction for PF Billing Purposes:** Negative;  
**Manner of Service:** Transfer, Idaho Falls to BPA to Rocky Mountain Power;

**Metering Loss Adjustment:** BPA shall adjust for losses between the POD and the Westside Out and Westside In POMs. Such adjustments shall be specified in writing between BPA and Idaho Falls. BPA is responsible for the 161 kV to 46 kV transformer losses as Westside. Idaho Falls is responsible for the Westside-Sugar Mill 161 kV line losses and Westside Station Service.

**Exception:** BPA and Idaho Falls are not physically connected, other than BPA's Westside Substation. BPA exchanges power with Rocky Mountain Power and Rocky Mountain Power serves Idaho Falls' load. The amounts of electric power, energy, and varhours delivered to Idaho Falls shall be the coincidental sum of electric power, energy, and varhours measured at the Sugar Mill POD, Idaho Falls' Upper, Lower, Old Lower, City Hydro POMs, Gem State POM, and the Westside.

### 1.3 Resource Locations and Metering

(1) **Resource Name:** Gem State Hydro

**Metering:** in Idaho Falls' Gem State Generating Plant in the 13.8 kV circuit over which such electric power flows;

(A) **BPA Meter Point Name:** Gem State Hydro Genr Out;  
**BPA Meter Point Number:** 1636;  
**Direction for PF Billing Purposes:** Positive;  
**Manner of Service:** Directly connected to Idaho Falls;

(B) **BPA Meter Point Name:** Gem State Hydro Genr In;  
**BPA Meter Point Number:** 1637;  
**Direction for PF Billing Purposes:** Negative;  
**Manner of Service:** Directly connected to Idaho Falls;

**Metering Loss Adjustment:** BPA shall adjust for losses between the BPA POD and the BPA POMs. Such adjustments shall be specified in written correspondence between BPA and Idaho Falls;

**Exceptions:** The amounts of power, energy, and varhours delivered to Idaho Falls shall be the coincidental sum of electric power, energy, and varhours measured at the Sugar Mill POD, Idaho Falls' Upper, Lower, Old Lower, and City Hydro POMs, Gem State POM, and Westside.

## 2. REVISIONS

Each Party shall notify the other in writing if updates to this exhibit are necessary to accurately reflect the actual characteristics of POD and meter information described in this exhibit. The Parties shall revise this exhibit to reflect such changes. The Parties shall mutually agree on any such exhibit revisions and agreement shall not be unreasonably withheld or delayed. The effective date of any exhibit revision shall be the date the actual circumstances described by the revision occur.

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**Exhibit F  
SCHEDULING**

**1. SCHEDULING FEDERAL POWER**

Idaho Falls is responsible for scheduling all amounts of Slice Output Energy, Tier 1 Block Amounts and Tier 2 Block Amounts purchased under this Agreement from the Scheduling Points of Receipt to their ultimate destination, and for creating associated electronic tags. Idaho Falls agrees to provide copies of such electronic tags to Power Services consistent with the requirements of this Exhibit F.

**2. COORDINATION REQUIREMENTS**

**2.1 Prescheduling**

Idaho Falls shall submit delivery schedules of Slice Output Energy, Tier 1 Block Amounts and Tier 2 Block Amounts to Power Services by 1100 Pacific Prevailing Time the day(s) on which prescheduling occurs, as specified by WECC. Preschedule electronic tags are due to Power Services in accordance with the parameters specified in section 4 of this exhibit.

**2.2 Real-Time Scheduling**

Idaho Falls shall have the right to submit new or modified schedules and electronic tags associated with deliveries of Slice Output Energy in real-time in accordance with the parameters specified in section 4 of this exhibit.

**2.3 After the Fact**

Power Services and Idaho Falls agree to reconcile all transactions, schedules and accounts at the end of each month (as early as possible within the first 10 calendar days of the next month). Power Services and Idaho Falls shall verify all transactions per this Agreement, as to product or type of service, hourly amounts, daily and monthly totals, and related charges.

**3. SLICE OUTPUT ENERGY SCHEDULING REQUIREMENTS**

**3.1** Schedule submissions to Power Services will primarily be via Power Services approved electronic methods, which may include specific interfaces. However, other Power Services' agreed-upon submission methods (verbal, fax, etc.) are acceptable if electronic systems are temporarily not available. Transmission scheduling arrangements are handled under separate agreements/provisions with the designated transmission provider, and may not necessarily be the same requirements as Power Services' scheduling arrangements.

**3.2** Schedules of Slice Output Energy submitted to Power Services by Idaho Falls shall comply with Delivery Limits established in the Slice Computer Application.

**3.3** The timeline within which Power Services shall approve or deny Idaho Falls' Delivery Requests, as represented by Idaho Falls' electronic tags, shall

conform to Power Services' then current preschedule and real-time scheduling guidelines as specified in section 4 of this exhibit.

- 3.3.1 For the purpose of approving requests for deliveries of Slice Output Energy, Power Services shall approve electronic tags, as described in section 3.3.2 below, that Idaho Falls submits to Power Services consistent with section 3.2 above prior to the applicable Power Services scheduling deadline, as specified in section 4 of this exhibit.
- 3.3.2 Electronic tags submitted to Power Service shall: (1) identify BPA as the generation providing entity, (2) identify Idaho Falls as first downstream purchasing-selling entity, (3) identify hourly energy amounts in MWh, and (4) maintain all data consistent with applicable industry standards.
- 3.3.3 Power Services shall have the sole discretion to accept or deny electronic tags that Idaho Falls submits to Power Services after the applicable Power Services' scheduling deadline set forth in section 4 of this exhibit, regardless of the reason for the late submission, and regardless of submission method (electronic, verbal, fax, etc.)
- 3.3.4 Changes to tagged energy amounts required by the Balancing Authority for maintaining system reliability, as determined by the responsible Balancing Authority, shall be implemented by Power Services and Idaho Falls at the time of such notification by the Balancing Authority.
- 3.4 Idaho Falls shall be responsible for verifying the sum of its hourly tagged and non-tagged (e.g., transmission loss schedules, etc., that are not tagged) energy amounts is equal to its Delivery Request, as described in section 7 of Exhibit M, for each Scheduling Hour.
- 3.4.1 Idaho Falls shall have the right to submit adjusted Customer Inputs to Power Services, pursuant to section 4.1 of this exhibit, in order to alter the associated Simulated Output Energy Schedules within established Delivery Limits, such that Idaho Falls' Delivery Request is made equal to the sum of its tagged and non-tagged energy amounts for each Scheduling Hour.
- 3.4.2 For each Scheduling Hour, the amount Idaho Falls' hourly tagged and non-tagged energy amount is in excess of its Delivery Request shall be subject to the UAI Charge for energy, and the amount Idaho Falls' hourly tagged and non-tagged energy amount is less than its Delivery Request shall be forfeited.
- 3.4.3 Electronic tag and Delivery Request mismatches that result from Balancing Authority reliability required actions shall not be subject to penalty if such required reliability action is implemented by the

Balancing Authority less than 30 minutes prior to the start of the Scheduling Hour in which the mismatch occurs.

#### 4. SCHEDULING DEADLINES

##### 4.1 Customer Input Submission Deadline

Idaho Falls shall have until 15 minutes prior to the start of each Scheduling Hour to submit revised Customer Inputs to Power Services in order to affect the associated Simulated Output Energy Schedules for each such Scheduling Hour. Power Services shall have the sole discretion to reject for any reason Idaho Falls' Customer Inputs associated with the upcoming Scheduling Hour that are submitted to Power Services after 15 minutes prior to the start of each such Scheduling Hour.

##### 4.2 Real-Time Electronic Tag Submission Deadline

Power Services shall approve electronic tags, as described in section 3.3.2 of this exhibit, that are consistent with section 3.2 of this exhibit and submitted to Power Services by Idaho Falls prior to the Power Services' scheduling deadline, which is 30 minutes prior to the start of each Scheduling Hour.

##### 4.3 Preschedule Electronic Tag Submissions

Unless otherwise mutually agreed, all Idaho Falls preschedule electronic tags will be submitted to Power Services according to NERC instructions and deadlines for electronic tagging, as specified or modified by the Balancing Authority and WECC.

#### 5. SCHEDULING OF DEDICATED RESOURCES

No later than 10 days following the end of each month, Idaho Falls agrees that it will electronically copy Power Services on all electronic tags that were created or modified during the previous month in association with the delivery of Idaho Falls' Dedicated Resources, if any, listed in sections 2, 3, and 4 of Exhibit A.

#### 6. SPECIAL SCHEDULING PROVISIONS FOR TRANSFER CUSTOMERS

BPA shall add special scheduling provisions to this Exhibit F prior to commencement of service to account for transfer arrangements.

#### 7. REVISIONS

BPA may unilaterally revise this exhibit:

- (1) to implement changes that BPA determines are necessary to allow it to meet its power scheduling obligations under this Agreement, or
- (2) to comply with the prevailing industry practice and requirements, currently set by WECC, NAESB, or NERC, or their successors or assigns.

BPA shall provide a draft of any material revisions of this exhibit to Idaho Falls, with a reasonable time for comment, prior to BPA providing written notice of the revision. Revisions are effective 45 days after BPA provides written notice of the revisions to Idaho Falls unless, in BPA's sole judgment, less notice is necessary to

comply with an emergency change to the requirements of the WECC, NAESB, NERC, or their successors or assigns. In this case, BPA shall specify the effective date of such revisions.

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**Exhibit G**  
**PRINCIPLES OF NON-FEDERAL TRANSFER SERVICE**

As provided by section 14.6.7 of the body of this Agreement and BPA's Long-Term Regional Dialogue Final Policy, July 2007, or any other later revision of that policy, if Idaho Falls acquires non-federal resources to serve its retail load above its established RHW, then BPA's support and assistance to Idaho Falls regarding transfer service for its non-federal resources shall be consistent with the following principles:

**1. ESTABLISHED CAPS AND LIMITATIONS**

BPA shall provide financial support for the transmission capacity associated with non-federal resource purchases to all Transfer Service customers up to a maximum of 41 megawatts per fiscal year, cumulative over the duration of this Agreement. This cumulative megawatt limit is shown in the table below.

<b>Fiscal Year</b>	<b>Per Year MW Limit</b>	<b>Cumulative MW Limit</b>
FY 2012	41	41
FY 2013	41	82
FY 2014	41	123
FY 2015	41	164
FY 2016	41	205
FY 2017	41	246
FY 2018	41	287
FY 2019	41	328
FY 2020	41	369
FY 2021	41	410
FY 2022	41	451
FY 2023	41	492
FY 2024	41	533
FY 2025	41	574
FY 2026	41	615
FY 2027	41	656
FY 2028	41	697

2. Application of section 14.6.7 of the body of this Agreement shall be on a first come, first served basis in each year based on the date each request is received by BPA. Requests not met, in whole or in part, in any Fiscal Year will have priority over subsequent requests the following year. Once granted, BPA shall honor such request for the duration of the resource acquisition period, not to exceed the term of this Agreement.

**3. PROCESS AND PARAMETERS FOR INITIALLY CHOOSING A NON-FEDERAL RESOURCE**

3.1 BPA obtains Transfer Service from Third Party Transmission Providers pursuant to OATT Network Integration Transmission Service. Additionally, BPA acquires firm transmission for all load service obligations incurred.

Therefore, BPA shall, on behalf of Idaho Falls, pursue Network Resource designation, as defined in the FERC OATT for Idaho Falls' non-federal resource. BPA shall provide all information the Third Party Transmission Provider requires to evaluate the Network Resource designation request. Idaho Falls shall provide all relevant information BPA determines is required to submit an application for designation of the resource as a Network Resource per section 29 of the OATT, or its successor.

- 3.2 Idaho Falls shall notify BPA of its intent and/or actions to acquire or purchase a non-federal resource at least one year prior to delivery. Such acquisition or purchase shall be for a period of no less than one year in duration.
  - 3.3 If BPA's existing Transfer Service to Idaho Falls is pursuant to a non-OATT contractual arrangement, then BPA shall pursue all reasonable arrangements, including but not limited to OATT service, sufficient to enable Idaho Falls to utilize the non-federal resource to serve its load.
  - 3.4 BPA shall not be liable to Idaho Falls in the event that Network Resource designation cannot be obtained.
  - 3.5 BPA shall only obtain or pay for Transfer Service for Idaho Falls' non-federal resource if it is designated as a Network Resource under the Third Party Transmission Provider's OATT with a commitment of at least one year. The limitations in this principle 3 do not pertain to market purchases and the use of secondary network transmission, which are addressed below in principle 15.
4. Idaho Falls shall provide BPA all information BPA determines is reasonably necessary to administer firm network transmission service over the Third Party Transmission Provider's system.
  5. BPA shall pay only the capacity costs associated with transmission service to Idaho Falls over transmission facilities of the Third Party Transmission Provider that either: (1) interconnect directly to Idaho Falls' facilities or (2) interconnect to BPA transmission facilities which subsequently interconnect with Idaho Falls' facilities. Idaho Falls shall arrange for, and pay any costs associated with, the delivery of non-federal power to an interconnection point with the Third Party Transmission Provider, including obtaining and paying for firm transmission across all intervening transmission systems.
  6. Idaho Falls shall pay a portion of the costs of all Ancillary Services necessary to deliver any non-federal resource to serve its load. The Ancillary Service costs imposed by the Third Party Transmission Provider shall be apportioned between BPA and Idaho Falls based on either:
    - (1) metered/scheduled quantities of the non-federal resource, expressed as a percentage of total load, multiplied by the total costs assessed BPA by the Third Party Transmission Provider; or



- (2) actual charges assessed by the Third Party Transmission Provider.

However, BPA shall treat the cost of load regulation service consistent with the load regulation service cost as described in section 14.6.1(1) of the body of this Agreement. BPA shall be responsible for the cost of generation supplied reactive power, and Idaho Falls shall be responsible for any generation imbalance costs, if any, related to Idaho Falls' non-federal resource.

7. Idaho Falls shall be responsible for the costs of all other transmission services for non-federal deliveries not included in principles 5 and 6 above, including, but not limited to: redispatch, congestion management costs, system and facility study costs associated with adding the non-federal generation as a Network Resource, direct assigned system upgrades, distribution and low-voltage charges, if applicable and real power losses.
8. Idaho Falls shall be responsible for all costs of interconnecting generation to a transmission system.
9. Idaho Falls shall be responsible for acquiring transmission services from BPA, including wheeling for non-federal resources. If Idaho Falls does not require transmission services from BPA for wheeling non-federal resources, then Idaho Falls shall be responsible for a pro rata share of the Third Party Transmission Provider transmission costs that BPA incurs to serve Idaho Falls.
10. Idaho Falls shall be responsible for all integration services to support its non-federal resources:
  - (1) in accordance with all requirements of the host Balancing Authority and/or Third Party Transmission Provider, and
  - (2) which are necessary for designation of the non-federal resource as a Network Resource.
11. As necessary, Idaho Falls shall meet all resource metering requirements including compliance with BPA standards and any requirements of the generation host Balancing Authority and/or Third Party Transmission Provider.
12. The Parties shall cooperate to establish the protocols, procedures, data exchanges or other arrangements the Parties deem reasonably necessary to support the transmission of Idaho Falls' non-federal resource.
13. Unless otherwise agreed, Idaho Falls shall be responsible for managing any non-federal resource consistent with Exhibit F.
14. BPA shall have no obligation to pay for Transfer Service for non-federal power to serve any portion of Idaho Falls' retail load that Idaho Falls is obligated to serve with federal power pursuant to this Agreement.

15. Once Idaho Falls' non-federal resource has been designated as a Network Resource, BPA will not undesignate Idaho Falls' Network Resource for marketing purposes. Also, once such Network Resource designation has been made, Idaho Falls may make market purchases to displace the Network Resource, which BPA shall schedule on secondary network service, provided that:
- (1) such market purchases are at least one day in duration;
  - (2) the megawatt amount of the market purchase does not exceed the amount of the designated Network Resource that Idaho Falls would have scheduled to its load;
  - (3) such market purchases are only scheduled in preschedule consistent with section 4.1 of Exhibit F;
  - (4) Idaho Falls does not, under any circumstances, remarket its designated Network Resource or perform any other operation that would cause BPA to be in violation of its obligations under the Third Party Transmission Provider's OATT;
  - (5) Idaho Falls is responsible for any additional energy imbalance, redispatch, and/or UAI charges that result from a transmission curtailment that impacts the resulting secondary network schedule; and
  - (6) any RSS products that Idaho Falls has purchased from BPA are not applied to the market purchase(s).
16. These principles will be the basis for a separate agreement BPA shall offer to Idaho Falls to support the Transfer Service of Idaho Falls' non-federal resource. BPA shall include terms specific to a particular non-federal resource in exhibits to the separate agreement, with a separate exhibit for each non-federal resource. Idaho Falls is under no obligation to accept this separate agreement or the exhibit for the particular non-federal resource and BPA is not bound to acquire or pay for Transfer Service for non-federal resources if Idaho Falls does not accept the separate agreement or the exhibit for the particular non-federal resource.
17. BPA shall recover the costs associated with any agreements with Idaho Falls reached under these principles pursuant to BPA's Wholesale Power Rate Schedules and CRSPs.

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**Exhibit H**  
**RENEWABLE ENERGY CERTIFICATES AND CARBON ATTRIBUTES**

**1. DEFINITIONS**

- 1.1 “Carbon Credit” means an Environmental Attribute consisting of greenhouse gas emission credits, certificates, or similar instruments.
- 1.2 “Environmental Attributes” means the current or future credits, benefits, emission reductions, offsets and allowances attributable to the generation of energy from a resource. Environmental Attributes do not include the tax credits associated with such resource. One megawatt-hour of energy generation from a resource is associated with one megawatt-hour of Environmental Attributes.
- 1.3 “Environmentally Preferred Power RECS” or “EPP RECs” means the portion of BPA’s Tier 1 RECs that is equal to an amount of up to 130 percent of the annual average of equivalent environmentally preferred power (EPP) contracted for as of October 1, 2009, for FYs 2010 and 2011 under Subscription power sales contracts containing rights to Environmental Attributes through FY 2016, as determined by BPA to be necessary to administer such rights.
- 1.4 “Renewable Energy Certificates” or “RECs” means the certificates, documentation, or other evidence that demonstrates, in the tracking system selected under section 5 of this exhibit, the ownership of Environmental Attributes.
- 1.5 “Tier 1 RECs” means the RECs composed of a blend, by fuel source, based on annual generation of the resources listed in or pursuant to section 2 of this exhibit.
- 1.6 “Tier 2 RECs” means the RECs associated with generation of the resources whose costs are allocated to a given Tier 2 Cost Pool in accordance with the TRM.

**2. BPA’S TIER 1 REC INVENTORY**

BPA’s Tier 1 REC inventory shall include all RECs that BPA has determined are associated with resources whose output is used to establish Tier 1 System Capability, as Tier 1 System Capability is defined in the TRM. The disposition of any Carbon Credits that BPA determines are associated with resources listed in, or in accordance with, this section 2 shall be as described in section 3 of this exhibit. The disposition of any Carbon Credits that BPA determines are associated with resources not listed in, or in accordance with, this section 2 shall be consistent with section 7 of this exhibit. As of the Effective Date, BPA has determined that the following resources have RECs associated with them that will be included in the Tier 1 REC inventory: Foote Creek I, Foote Creek II, Stateline, Condon, Klondike I, Klondike III, and Ashland Solar. BPA shall maintain this list on a publicly accessible BPA website and shall periodically update this list to include any then-

current resources that BPA has determined have Tier 1 RECs associated with them. BPA shall calculate its inventory of Tier 1 RECs annually and after the fact based on energy generated by listed resources during the previous calendar year.

**3. IDAHO FALLS' SHARE OF TIER 1 RECS**

Beginning April 15, 2012, and by April 15 every year thereafter over the term of this Agreement, BPA shall:

- (1) transfer to Idaho Falls, or manage in accordance with section 5 of this exhibit, at no additional charge or premium beyond Idaho Falls' payment of the otherwise applicable Tier 1 Rate, a pro rata share of Tier 1 RECs based on Idaho Falls' RHWm divided by the total RHWms of all holders of CHWM Contracts; and
- (2) for transferred RECs, provide Idaho Falls with a letter assigning title of such Tier 1 RECs to Idaho Falls.

The amount of Tier 1 RECs available to BPA to transfer or manage shall be subject to available Tier 1 REC inventory, excluding amounts of Tier 1 REC inventory used to provide EPP RECs.

**4. TIER 2 RECS**

If Idaho Falls chooses to purchase Firm Requirements Power at a Tier 2 Rate, and there are RECs which BPA has determined are associated with the resources whose costs are allocated to the Tier 2 Cost Pool for such rate, then beginning April 15 of the year immediately following the first Fiscal Year in which Idaho Falls' Tier 2 purchase obligation commences, and by April 15 every year thereafter for the duration of Idaho Falls' Tier 2 purchase obligation, BPA shall, based on Idaho Falls' election pursuant to section 5 of this exhibit, transfer to or manage for Idaho Falls a pro rata share of applicable Tier 2 RECs generated during the previous calendar year. The pro rata share of Tier 2 RECs BPA transfers to Idaho Falls shall be the ratio of Idaho Falls' amount of power purchased at the applicable Tier 2 Rate to the total amount of purchases under that Tier 2 Rate.

**5. TRANSFER, TRACKING, AND MANAGEMENT OF RECS**

Subject to BPA's determination that the commercial renewable energy tracking system WREGIS is adequate as a tracking system, BPA shall transfer Idaho Falls' share of Tier 1 RECs, and Tier 2 RECs if applicable, to Idaho Falls via WREGIS or its successor. If, during the term of this Agreement, BPA determines in consultation with customers that WREGIS is not adequate as a tracking system, then BPA may change commercial tracking systems with one year advance notice to Idaho Falls. In such case, the Parties shall establish a comparable process for BPA to provide Idaho Falls its RECs.

Starting on July 15, 2011, and by July 15 prior to each Rate Period through the term of this Agreement, Idaho Falls shall notify BPA which one of the following three options it chooses for the transfer and management of Idaho Falls' share of Tier 1 RECs, and Tier 2 RECs if applicable, for each upcoming Rate Period:

- (1) BPA shall transfer Idaho Falls' RECs into Idaho Falls' own WREGIS account, which shall be established by Idaho Falls; or
- (2) BPA shall transfer Idaho Falls' RECs into a BPA-managed WREGIS subaccount. Such subaccount shall be established by BPA on Idaho Falls' behalf and the terms and conditions of which shall be determined by the Parties in a separate agreement; or
- (3) Idaho Falls shall give BPA the authority to market Idaho Falls' RECs on Idaho Falls' behalf. BPA shall annually credit Idaho Falls for Idaho Falls' pro rata share of all revenues generated by sales of RECs from the same rate pool on its April bill, issued in May.

If Idaho Falls fails to notify BPA of its election by July 15 before the start of each Rate Period, then Idaho Falls shall be deemed to have elected the option in section 5(3) of this exhibit.

Any RECs BPA transfers to Idaho Falls on April 15 of each year shall be limited to those generated January 1 through December 31 of the prior year, except that any RECs BPA transfers to Idaho Falls by April 15, 2012, shall be limited to those generated October 1, 2011, through December 31, 2011.

**6. FEES**

BPA shall pay any reasonable fees associated with: (1) the provision of Idaho Falls' RECs and (2) the establishment of any subaccounts in Idaho Falls' name pursuant to sections 5(1) and 5(2) of this exhibit. Idaho Falls shall pay all other fees associated with any WREGIS or successor commercial tracking system, including WREGIS retirement, reserve, and export fees.

**7. CARBON CREDITS**

In the absence of carbon regulations or legislation directly affecting BPA, BPA intends to convey the value of any future Carbon Credits associated with resources whose costs are recovered in Tier 1 or Tier 2 Rates to Idaho Falls on a pro rata basis in the same manner as described for Tier 1 RECs and Tier 2 RECs in sections 3 and 4 of this exhibit. This value may be conveyed as: (1) the Carbon Credits themselves; (2) a revenue credit after BPA markets such Carbon Credits; or (3) the ability to claim that power purchases at the applicable PF rate are derived from certain federal resources.

**8. BPA'S RIGHT TO TERMINATE IDAHO FALLS' RECS AND/OR CARBON CREDITS**

To the extent necessary to comply with any federal regulation or legislation which addresses Carbon Credits or any other form of Environmental Attribute(s) and includes compliance costs applicable to BPA, BPA may, upon reasonable notice to Idaho Falls, terminate Idaho Falls' contract rights to Tier 1 RECs under section 3 of this exhibit and/or Idaho Falls' pro rata share of Carbon Credits under section 7 of this exhibit.

**9. RATEMAKING TREATMENT**

Notwithstanding the transfer, sharing, management, conveyance, marketing or crediting of RECs and Carbon Credits, or the value of any or all of them, pursuant to this Exhibit H, BPA reserves any ratemaking authority it otherwise possesses to determine and factor in a share of the value and/or cost of any or all of the RECs and Carbon Credits for the purpose of: (1) determining applicable wholesale rates pursuant to section 7(c)(2) of the Northwest Power Act; and (2) establishing the rate(s) applicable to BPA sales pursuant to section 5(c) of the Northwest Power Act in a manner that BPA determines provides an appropriate sharing of the benefits and/or costs of the federal system and comparably reflects treatment of RECs and Carbon Credits in the calculation of a utility's average system cost of resources. BPA further reserves its ratemaking authority to recover any costs resulting from such ratemaking actions through rates, including rates applicable to Idaho Falls. This paragraph does not constitute Idaho Falls' agreement to statutory ratemaking authority BPA does not otherwise have.

**10. REVISIONS**

BPA shall revise this Exhibit H to reflect BPA's determinations relevant to this exhibit and made in accordance with this Agreement. Any other revisions to this Exhibit H shall be by mutual agreement.

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**Exhibit I  
CRITICAL SLICE AMOUNTS**

**1. ESTABLISHING ADJUSTED ANNUAL RHW M TIER 1 SYSTEM CAPABILITY**

No later than 90 days prior to the start of each Fiscal Year, beginning with FY 2012, BPA shall determine the annual and monthly Average Megawatt and MWh amounts of Adjusted Annual RHW M Tier 1 System Capability for the upcoming Fiscal Year.

Such Adjusted Annual RHW M Tier 1 System Capability amounts shall be determined by adjusting the Fiscal Year amounts used to calculate the RHW M Tier 1 System Capability for known and determinable events that have occurred since the most recently concluded RHW M Process, such as changes in the availability or performance of Tier 1 System Resources, changes in Tier 1 System Obligations or the requirements of an applicable biological opinion, and which events: (1) would have caused BPA to use different assumptions in determining the RHW M Tier 1 System Capability had such events been known before the RHW M Process; (2) will result in the Adjusted Annual RHW M Tier 1 System Capability differing materially from the applicable annual RHW M Tier 1 System Capability; and (3) will be reflected in BPA's operation of the FCRPS during the applicable Fiscal Year. The monthly Average Megawatt amounts of Adjusted Annual RHW M Tier 1 System Capability so determined shall be specified in the applicable rows of the table below for each Fiscal Year. The monthly Adjusted Annual RHW M Tier 1 System Capability expressed in megawatt-hours will be the product of the monthly Adjusted Annual RHW M Tier 1 System Capability in Average Megawatts multiplied by the number of hours in the month and will be specified in the applicable rows of the table below for each Fiscal Year.

Adjusted Annual RHW M Tier 1 System Capability													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
<b>Fiscal Year 2012</b>													
Energy (aMW)													
Energy (MWh)													
<b>Fiscal Year 2013</b>													
Energy (aMW)													
Energy (MWh)													
<b>Fiscal Year 2014</b>													
Energy (aMW)													
Energy (MWh)													
<b>Fiscal Year 2015</b>													
Energy (aMW)													
Energy (MWh)													
<b>Fiscal Year 2016</b>													
Energy (MWh)													
Peak (MW)													
<b>Fiscal Year 2017</b>													
Energy (MWh)													
Peak (MW)													

Adjusted Annual RHWM Tier 1 System Capability													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
Fiscal Year 2018													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2019													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2020													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2021													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2022													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2023													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2024													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2025													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2026													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2027													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2028													
Energy (aMW)													
Energy (MWh)													

Note: Fill in the table above with megawatt-hour values rounded to a whole number, and average megawatt values rounded to three decimal places.

**2. ESTABLISHING CRITICAL SLICE AMOUNTS**

By September 15, 2011, and by each September 15 thereafter, BPA shall determine Idaho Falls' Critical Slice Amounts by multiplying the monthly average megawatt amounts of Adjusted Annual RHWM Tier 1 System Capability set forth in the table in section 1 for each Fiscal Year by Idaho Falls' Slice Percentage applicable to each such Fiscal Year stated in section 2 of Exhibit K. The Critical Slice Amounts so determined will be specified in the applicable row of the table below for each Fiscal Year. The monthly Critical Slice Amounts, expressed as megawatt-hours, shall be the product of the monthly Critical Slice Amounts in Average Megawatts multiplied by the number of hours in the applicable month, and will be specified in the applicable row of the table below for each Fiscal Year.



Annual Critical Slice Amount													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
Fiscal Year 2012													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2013													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2014													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2015													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2016													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2017													
Energy (MWh)													
Peak (MW)													
Fiscal Year 2018													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2019													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2020													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2021													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2022													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2023													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2024													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2025													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2026													
Energy (aMW)													
Energy (MWh)													
Fiscal Year 2027													
Energy (aMW)													
Energy (MWh)													

Annual Critical Slice Amount													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	annual aMW
Fiscal Year 2028													
Energy (aMW)													
Energy (MWh)													

Note: Fill in the table above with megawatt-hour values rounded to a whole number, and average megawatt values rounded to three decimal places.

**3. REVISIONS**

By September 15, 2011, and by each September 15 thereafter, BPA shall provide Idaho Falls a revised Exhibit I reflecting the annual and monthly Adjusted Annual RHEM Tier 1 System Capability and Critical Slice Amounts for the upcoming Fiscal Year determined in accordance with this Exhibit I, and a written summary stating any changes to the assumptions used by BPA to determine the RHEM Tier 1 System Capability for such Fiscal Year, the reasons for such change and the resulting impacts to the RHEM Tier 1 System Capability. Other changes shall be by mutual agreement of the Parties.

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**Exhibit J**  
**PRELIMINARY SLICE PERCENTAGE AND INITIAL SLICE PERCENTAGE**

**1. PRELIMINARY SLICE PERCENTAGE**

Idaho Falls' Preliminary Slice Percentage is as specified below:  
Preliminary Slice Percentage = 0.52018% or 0.0052018 as a decimal value.

**2. INITIAL SLICE PERCENTAGE**

Idaho Falls' Initial Slice Percentage shall be determined in accordance with section 4 of Exhibit Q. Promptly following such determination, BPA shall enter Idaho Falls' Initial Slice Percentage below:

Initial Slice Percentage = xx.xxxxx%, or 0.xxxxxxx as a decimal value.

**3. REVISIONS**

No later than May 1, 2011, BPA shall revise section 2 of this Exhibit J to enter Idaho Falls' Initial Slice Percentage.

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**Exhibit K**  
**ANNUAL SLICE PERCENTAGE DETERMINATION PROCESS**

**1. Annual Slice Percentage Determination Process**

**1.1 Definitions**

The following definitions apply only to this exhibit.

1.1.1 "Slice Percentage Adjustment Ratio" or "SPAR" means, for a given Fiscal Year, the ratio that is determined by dividing: (1) the Initial CHWM by (2) the sum of the Initial CHWM and the Additional CHWM for such Fiscal Year. The SPAR shall be expressed as a five-digit decimal number and entered into the table in section 1.2 below.

1.1.2 "Tier 1 Purchase Amount" means the lesser of Idaho Falls' Annual Net Requirement or Idaho Falls' RHWM.

**1.2 Establishing SPAR Amounts**

No later than 15 days prior to the first day of each Fiscal Year, beginning with FY 2012, BPA shall compute the SPAR for such Fiscal Year and enter it into the table below.

<b>Fiscal Year</b>	<b>Slice Percentage Adjustment Ratio</b>
FY 2012	x.xxxxx
FY 2013	x.xxxxx
FY 2014	x.xxxxx
FY 2015	x.xxxxx
FY 2016	x.xxxxx
FY 2017	x.xxxxx
FY 2018	x.xxxxx
FY 2019	x.xxxxx
FY 2020	x.xxxxx
FY 2021	x.xxxxx
FY 2022	x.xxxxx
FY 2023	x.xxxxx
FY 2024	x.xxxxx
FY 2025	x.xxxxx
FY 2026	x.xxxxx
FY 2027	x.xxxxx
FY 2028	x.xxxxx

**1.3 Determination of Slice Percentage**

By September 15, 2011, and by each September 15 thereafter, BPA shall determine Idaho Falls' Slice Percentage by adjusting Idaho Falls' Initial Slice Percentage, as set forth in section 2 of Exhibit J, using the procedure set forth below.

**1.3.1 Annual Net Requirement Greater Than or Equal to the Product of AART1SC\*ISP\*SPAR**

If Idaho Falls' Annual Net Requirement is greater than or equal to the product of: (1) the Adjusted Annual RHWMTier 1 System Capability, (2) Idaho Falls' Initial Slice Percentage, and (3) the SPAR, then Idaho Falls' Slice Percentage shall be set equal to its Initial Slice Percentage multiplied by the SPAR.

**1.3.2 Annual Net Requirement Less Than the Product of AART1SC\*ISP\*SPAR**

If Idaho Falls' Annual Net Requirement is less than the product of: (1) the Adjusted Annual RHWMTier 1 System Capability, (2) Idaho Falls' Initial Slice Percentage, and (3) the SPAR, then Idaho Falls' Slice Percentage shall be set equal to the ratio determined by dividing (A) the product of Idaho Falls' Tier 1 Purchase Amount and the SPAR, by (B) the Adjusted Annual RHWMTier 1 System Capability.

**2. SLICE PERCENTAGE**

BPA shall enter Idaho Falls' Slice Percentage calculated pursuant to section 1.3 of this exhibit into the table below as a percentage rounded to the fifth digit, and as a decimal value rounded to the seventh digit.

<b>Fiscal Year</b>	<b>Slice Percentage (decimal value)</b>	
FY 2012	xx.xxxxx %	(0.xxxxxxx)
FY 2013	xx.xxxxx %	(0.xxxxxxx)
FY 2014	xx.xxxxx %	(0.xxxxxxx)
FY 2015	xx.xxxxx %	(0.xxxxxxx)
FY 2016	xx.xxxxx %	(0.xxxxxxx)
FY 2017	xx.xxxxx %	(0.xxxxxxx)
FY 2018	xx.xxxxx %	(0.xxxxxxx)
FY 2019	xx.xxxxx %	(0.xxxxxxx)
FY 2020	xx.xxxxx %	(0.xxxxxxx)
FY 2021	xx.xxxxx %	(0.xxxxxxx)
FY 2022	xx.xxxxx %	(0.xxxxxxx)
FY 2023	xx.xxxxx %	(0.xxxxxxx)
FY 2024	xx.xxxxx %	(0.xxxxxxx)
FY 2025	xx.xxxxx %	(0.xxxxxxx)
FY 2026	xx.xxxxx %	(0.xxxxxxx)
FY 2027	xx.xxxxx %	(0.xxxxxxx)
FY 2028	xx.xxxxx %	(0.xxxxxxx)

**3. REVISIONS**

BPA shall revise the table in section 1.2 and the table in section 2 of this Exhibit K for each Fiscal Year in accordance with the terms of this Exhibit K. Other changes to this Exhibit K shall be by mutual agreement of the Parties.

**Exhibit L  
RHWM AUGMENTATION**

**1. RHWM AUGMENTATION AMOUNTS**

The amounts of RHWM Augmentation applicable to each Fiscal Year of each Rate Period shall be entered into the table below no later than 60 days after the conclusion of the RHWM Process for each such Rate Period.

<b>Fiscal Year</b>	<b>RHWM Augmentation</b>
FY 2012	xxx aMW
FY 2013	xxx aMW
FY 2014	xxx aMW
FY 2015	xxx aMW
FY 2016	xxx aMW
FY 2017	xxx aMW
FY 2018	xxx aMW
FY 2019	xxx aMW
FY 2020	xxx aMW
FY 2021	xxx aMW
FY 2022	xxx aMW
FY 2023	xxx aMW
FY 2024	xxx aMW
FY 2025	xxx aMW
FY 2026	xxx aMW
FY 2027	xxx aMW
FY 2028	xxx aMW

**2. MODELING OF RHWM AUGMENTATION IN THE SLICE COMPUTER APPLICATION**

The amounts of RHWM Augmentation listed in section 1 of this exhibit will be a component of the BOS Base amount as determined by the BOS Module pursuant to section 4.4.1 of Exhibit M, and shall be made available to Idaho Falls in a Flat Annual Shape for the applicable Fiscal Year.

**3. REVISIONS**

This Exhibit L shall be revised by BPA in accordance with its terms and such revision provided to Idaho Falls not later than 60 days after to the conclusion of each RHWM Process.

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**Exhibit M**  
**SLICE COMPUTER APPLICATION**

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**1. SLICE COMPUTER APPLICATION – GENERAL DESCRIPTION**

The Slice Computer Application is a proprietary BPA computer application developed and maintained by BPA in consultation with Idaho Falls and other SIG members. The Slice Computer Application consists of the Slice Water Routing Simulator, the Balance of System Module, the Default User Interface, and other related processes used for scheduling, tagging, and accounting of Slice Output and communication of information, all as described below.

The Slice Computer Application is used to determine Idaho Falls’ hourly Slice Output Energy amounts that will be made available by Power Services for delivery to Idaho Falls. The total amount of Slice Output Energy to be scheduled each hour is comprised of the results of the Simulator and the BOS Module, as set forth in section 7 of this exhibit.

In the event Exhibit O is implemented pursuant to section 5.10.3.2 of the body of this Agreement, only sections 3.5, 5, 8, and 9 of this Exhibit M shall be in effect as long as Exhibit O remains in effect.

## 2. DEFINITIONS

The following definitions apply only to this Exhibit M.

- 2.1 "Algorithm Tuning Parameters" means factors, coefficients, or variables that are embedded within Simulator algorithms or formulas and are adjusted by Power Services as needed to appropriately implement provisions of this Agreement.
- 2.2 "Bypass Spill" means Spill that occurs at a hydroelectric project associated with lock operations, leakage and fish bypass systems.
- 2.3 "Forced Spill" means Spill other than Bypass Spill, Elective Spill, or Fish Spill that occurs at a hydroelectric project and is unavoidable in order to operate the project within applicable Operating Constraints.
- 2.4 "Incremental Side Flows" means the portion of a hydroelectric project's natural inflow that enters the river on which the project is located between that project and the next-upstream project.
- 2.5 "Logic Control Parameters" means flags or toggles that are embedded within the Slice Computer Application logic and are set by Power Services as needed to appropriately implement provisions of this Agreement.
- 2.6 "Simulator Initialization Time" means the date and time that represents the beginning of the first one-hour period of the Simulator Modeling Period.
- 2.7 "Simulator Modeling Period" means the variable time period represented by the Simulator output, including between 41 and 48 one-hour time periods and an additional 22 to 24 eight-hour time periods, as described in section 3.1.2 of this exhibit.

## 3. SLICE WATER ROUTING SIMULATOR

### 3.1 General Description

The Simulator is designed to determine Idaho Falls' potential range of available Simulated Output Energy Schedules and Delivery Limits associated with the Simulator Projects. Idaho Falls shall utilize the Simulator to simulate the routing of available stream flow through the Simulator Projects in compliance with established Simulator Parameters. Power Services is responsible for establishing and managing Simulator Parameters within the Simulator, pursuant to section 3.2 of this exhibit, and Idaho Falls is responsible for establishing and managing Customer Inputs within the Simulator, pursuant to section 3.3 of this exhibit. Idaho Falls shall use the Slice Computer Application to determine and make its requests for Slice Output Energy scheduled from Power Services.

- 3.1.1 The Simulator will be managed, updated and maintained by BPA. Idaho Falls shall have access to the Simulator for the purpose of running various Simulated Operating Scenarios.



- 3.1.2 The Simulator shall be designed to produce Simulated Operating Scenarios in one-hour time periods for no less than 41 hours and no more than 48 hours, and additional eight-hour time periods for no less than 22 periods and no more than 24 periods, depending upon the Simulator Initialization Time.
- 3.1.2.1 The one-hour time periods shall begin with the hour that directly follows the Simulator Initialization Time and will continue for between 41 and 48 hours, ending with either Scheduling Hour 06, 14, or 22.
- 3.1.2.2 The eight-hour time periods shall include the three periods each day ending with Scheduling Hours 06, 14, and 22. The eight-hour time periods shall begin with the first eight-hour period following the one-hour time periods and shall continue for between 22 and 24 periods, ending with the eight-hour period that ends with Scheduling Hour 22.
- 3.1.3 The Simulator shall incorporate approximate hydraulic time lags between Simulator Projects.
- 3.1.4 The Simulator shall reflect the application of all Operating Constraints in effect for each Simulator Project, including compliance with Operating Constraints in effect at downstream projects.
- 3.1.5 The Simulator shall calculate simulated inflows to Grand Coulee based upon forecast (or measured when available) discharges from upstream projects plus forecast Incremental Side Flows between those projects and Grand Coulee, as adjusted for forecast Banks Lake irrigation pumping flows.
- 3.1.6 The Simulator shall compute the simulated Grand Coulee discharge, generation, and forebay elevation based on Idaho Falls' Customer Inputs and shall use such computed discharge to establish Idaho Falls' simulated Chief Joseph inflow, given appropriate time lags, and as adjusted for forecast Chief Joseph Incremental Side Flows.
- 3.1.7 The Simulator shall calculate simulated inflows to McNary based upon forecast (or measured when available) discharges from Priest Rapids and Ice Harbor after considering approximate hydraulic time lags between those projects and McNary, as adjusted for forecast McNary Incremental Side Flows. The Simulator shall also incorporate Idaho Falls' Hydraulic Link Adjustment, pursuant to section 3.7 of this exhibit, into Idaho Falls' simulated McNary inflow.
- 3.1.8 The Simulator shall compute the simulated McNary discharge, generation, and forebay elevation based on Idaho Falls' Customer Inputs and shall use such computed discharge to establish Idaho Falls'

simulated John Day inflow, given appropriate time lags, and as adjusted for forecast John Day Incremental Side Flows.

3.1.9 The Simulator will compute the simulated discharge, generation and forebay elevations for John Day, The Dalles and Bonneville, as well as simulated inflows into The Dalles and Bonneville for Idaho Falls, in a like manner.

3.1.10 The Simulator will not be designed to accept aggregated Customer Inputs for the LCOL Complex or the Coulee-Chief Complex. Idaho Falls may develop aggregated Customer Inputs for use in its in-house processes but must translate such aggregated Customer Inputs into individual Customer Inputs for each Simulator Project to enable the Slice Computer Application to validate Idaho Falls' simulated operation of individual Simulator Projects against Operating Constraints.

### 3.2 Simulator Parameters

Power Services shall establish, monitor and update the Simulator Parameters, as specified in this section 3.2, applicable to each Simulator Project to reflect: (1) Operating Constraints in effect or to take effect at the actual Tier 1 System Resource, and (2) forecast system conditions used by BPA in the operation of the Tier 1 System Resources, for the entire Simulator Modeling Period. Power Services shall designate each Operating Constraint established as a Simulator Parameter as either an Absolute Operating Constraint, a Hard Operating Constraint, or a Soft Operating Constraint. The simulated operating capability available from the Simulator Projects as affected by the Simulator Parameters shall reasonably represent the actual operating capability available from the Tier 1 System Resources that comprise the Simulator Projects as affected by the associated Operating Constraints. To the maximum extent practicable, Power Services shall monitor the operating conditions that affect the Simulator Projects and shall revise the Simulator Parameters as necessary to reflect changes.

3.2.1 Power Services shall have the right to revise Simulator Parameters affecting each Scheduling Hour up to one hour prior to the beginning of each such Scheduling hour. For example, Power Services shall have the right to revise Simulator Parameters affecting Scheduling Hour 13 up until 11:00 a.m.

3.2.2 The Simulator Parameters shall include:

- (1) Hourly regulated inflows (Grand Coulee and McNary only);
- (2) Hourly Incremental Side Flows;
- (3) Initial forebay elevations;
- (4) Water to energy conversion factors (H/Ks);

- (5) Content to elevation conversion tables;
- (6) Project turbine capacities;
- (7) Spill limitations and requirements, including Bypass Spill quantities;
- (8) Generation limitations and requirements;
- (9) Discharge limitations and requirements as needed to meet both discharge and tailwater elevation requirements;
- (10) Forebay limitations and requirements;
- (11) System wide requirements that affect the Simulator Projects (e.g. Vernita Bar, chum spawning, or Operating Reserves);
- (12) Algorithm Tuning Parameters;
- (13) Logic Control Parameters that affect the Simulator Projects (e.g. CGS Displacement election, PSB enforcement flag, etc.); and,
- (14) Simulator Parameters as implemented pursuant to section 5.12 of the body of this Agreement and included in the specification manual described in section 3.5.1 of this exhibit.

### 3.3 Idaho Falls' Customer Inputs and Use of the Simulator

Idaho Falls shall be responsible for accessing the Simulator and submitting at least one Customer Input for each of the Simulator Projects for each one-hour and eight-hour time period for the entire Simulator Modeling Period. Idaho Falls is required to submit Customer Inputs to the Simulator separately from all other Slice Customers' Customer Inputs.

#### 3.3.1 Customer Inputs shall include:

- (1) Generation requests;
- (2) Elevation requests;
- (3) Discharge requests; and,
- (4) Customer Inputs as implemented pursuant to section 5.12 of the body of this Agreement and included in the specification manual described in section 3.5.1 of this exhibit.

#### 3.3.2 Customer Inputs shall be stated in terms of whole project capability rather than Idaho Falls' Slice Percentage of project capability.

- 3.3.3 The Simulator shall include criteria for prioritizing Customer Inputs among generation, elevation, and discharge requests. Using these criteria, Idaho Falls may specify, in its Customer Inputs, the relative priority of its generation, elevation, or discharge requests, which shall be used by the Simulator to produce a Simulated Operating Scenario in accordance with applicable Simulator Parameters.
- 3.3.4 Upon submission to Power Services, the Simulator shall process Idaho Falls' Customer Inputs to determine a Simulated Operating Scenario. The simulated generation values resulting from each Simulated Operating Scenario shall represent Idaho Falls' potential Simulated Output Energy Schedules. Simulated Output Energy Schedules are not considered schedules for power delivery.
- 3.3.5 For each Simulated Operating Scenario the Slice Computer Application will provide Idaho Falls with a report stating for each Simulator Project: (1) the resulting simulated generation, discharge and elevation values, (2) which, if any, Absolute or Hard Operating Constraints limited the Simulated Operating Scenario, and (3) which, if any, Absolute or Hard Operating Constraints were violated.
- 3.3.6 If Idaho Falls submits Customer Inputs for a Simulated Operating Scenario that would otherwise result in violations of one or more Absolute or Hard Operating Constraints, the Simulator shall, to the extent possible, establish a Simulated Operating Scenario that conforms to the Absolute or Hard Operating Constraints. In such event, Idaho Falls shall make the election to either cancel the submission of its Customer Inputs or accept the results of the Simulated Operating Scenario.
- 3.3.7 Idaho Falls shall have the right to modify and submit to Power Services its Customer Inputs for each Scheduling Hour within the scheduling deadline established in section 4.1 of Exhibit F. As of the scheduling deadline prior to each Scheduling Hour, the Simulator shall process the Customer Inputs last submitted by Idaho Falls to determine Idaho Falls' final Simulated Operating Scenario and associated final Slice Output Energy Schedules, which shall be the basis of Idaho Falls' Delivery Request, as described in section 7 of this exhibit, for each such Scheduling Hour.
- 3.3.8 At least once per day, Idaho Falls shall be required to produce a Simulated Operating Scenario that demonstrates all Simulator Projects are in compliance with all applicable Operating Constraints for the duration of the Simulator Modeling Period.
- 3.3.9 Power Services shall provide Idaho Falls with access, via the Slice Computer Application, to a test version of the Simulator that can be

used for scenario testing. In this test version Idaho Falls shall have the ability to modify Simulator Parameters.

### 3.4 Simulator Output

Based on the Simulator Parameters and Customer Inputs in effect, the Simulator shall produce the following results for each one-hour and eight-hour time period for the entire Simulator Modeling Period:

- 3.4.1 Idaho Falls' potential Simulated Output Energy Schedules (simulated generation), simulated discharge, and simulated forebay elevation associated with each Simulator Project.
- 3.4.2 A list of Customer Inputs that resulted in violation of Operating Constraints within the Simulated Operating Scenario, pursuant to section 3.3.6 of this exhibit, or that were not achieved by the Simulator, for each Simulator Project.
- 3.4.3 A list of Operating Constraints that were violated within Idaho Falls' simulated operation for each Simulator Project.
- 3.4.4 An explanation for each occurrence listed pursuant to sections 3.4.2 and 3.4.3 of this exhibit.
- 3.4.5 Idaho Falls' Hydraulic Link Adjustment amounts as established pursuant to section 3.7 of this exhibit.

### 3.5 Simulator Documentation, Performance Test, and Accuracy

#### 3.5.1 Simulator Documentation

Power Services, with Idaho Falls' input, shall develop a manual with specifications describing the Simulator computations, processes and algorithms in sufficient detail to permit Idaho Falls to understand and verify the Simulator computations and accuracy of the Simulator outputs. The Simulator specification manual shall include, but shall not be limited to, the following:

- (1) A documented list of data points, including the source systems of record, such as BPA's internal modeling tools or stream flow forecasting databases, that are accessed and used to determine Simulator Parameters;
- (2) Full documentation, excluding computer code, of the processes by which the Simulator computes and produces output values;
- (3) Full documentation, excluding computer code, of the Simulator functions available to Idaho Falls, including access and controls of the Simulator; and

(4) Full documentation of the data output/display processes and communication protocols associated with Idaho Falls' computer systems.

3.5.2 If requested, Power Services may provide Idaho Falls assistance in developing an operational manual to explain how the Simulator is to be operated by Idaho Falls. After a reasonable period of time (as determined by Power Services) following the SCA Implementation Date, Power Services may charge Idaho Falls for any such assistance Power Services provides.

**3.5.3 Simulator Performance Test**

Power Services shall conduct the Simulator Performance Test specified in this section 3.5.3 of this exhibit, and as required pursuant to section 5.10.4 of the body of this Agreement and section 3.5.4.2 of this exhibit.

**3.5.3.1 Storage Content Test**

Using actual stream flows (including calculated Incremental Side Flows), operating constraints, initial monthly Simulator Project forebay elevations, and Simulator Project discharges for the months of January through September 2010, as input parameters, Power Services shall produce Simulated Operating Scenarios for each month of that period. Power Services shall compute the hourly Storage Content difference for each Simulator Project as the difference between the simulated Storage Content and the actual Storage Content for each such Simulator Project for each hour of the test period. For each month of the test period, a Simulator Project will have passed the Storage Content test if: (1) the hourly Storage Content difference is greater than the Storage Content value contained in column A of the table below on no more than 4 percent of the hours in the month; and, (2) no hourly Storage Content difference during the month is greater than the lesser of (i) the Storage Content value contained in column B of the table below or (ii) one-half of the applicable monthly available Storage Content. If a Simulator Project fails either of these tests for a month, then such Simulator Project will have failed the Storage Content test for such month.

Simulator Project	Column A	Column B
Grand Coulee	5 ksf	15 ksf
Chief Joseph	5 ksf	11.5 ksf
McNary	5 ksf	15 ksf
John Day	5 ksf	15 ksf
The Dalles	5 ksf	12.5 ksf
Bonneville	5 ksf	15 ksf

The overall Storage Content test will be deemed to have failed if one or more of the following occurs:

- (1) Grand Coulee fails the test in one or more of the nine months;
- (2) More than 25 percent of the 54 monthly tests fail;
- (3) Four or more Simulator Projects fail the test in any single month; or
- (4) Any of the Simulator Projects fail the test in all 9 months.

#### 3.5.3.2 Energy Test

Using actual stream flows (including calculated Incremental Side Flows), operating constraints, initial monthly Simulator Project forebay elevations, Simulator Project discharge values, and Simulator Project H/Ks for the months of January through September 2010, as input parameters, Power Services shall produce Simulated Operating Scenarios for each month of that period. Power Services shall compute the daily and monthly differences between the simulated generation and actual generation for each Simulator Project. For each month of the test period, a Simulator Project will have passed the energy test if: (1) for each day of the month the daily generation difference is no greater than 5 percent of the associated Simulator Project's actual daily generation; and, (2) the monthly generation difference is no greater than 3 percent of the associated Simulator Project's actual monthly generation. The overall energy test will be deemed to have failed if one or more of the following occurs:

- (1) Grand Coulee fails the test in one or more of the 9 months;
- (2) More than 25 percent of the 54 monthly tests fail;
- (3) Four or more Simulator Projects fail the monthly test in any single month; or
- (4) Any of the Simulator Projects fail the test in all 9 months.

#### 3.5.3.3 Peaking Test

Power Services shall produce a separate Simulated Operating Scenario as specified below, for the hottest consecutive 3-day

period and the coldest consecutive 3-day period that occurred during the period January through September 2010.

The 3-day test periods shall be determined by Power Services based on the weighted-average temperatures for three major load centers: Portland, Seattle, and Spokane. The weighted-average temperatures for these load centers will be determined as follows:

- (1) Each city's daily maximum and daily minimum temperature will be averaged;
- (2) The resulting day-average temperature from each city will be weighted by applying load center percentage weightings, which will be determined by Power Services and will sum to 100 percent for the three cities; and
- (3) The resulting weighted day-average temperatures for each city will then be combined to determine each day's weighted-average load center temperature.

The daily weighted-average load center temperatures will be averaged for each consecutive 3-day period for the January through September 2010 period. The lowest such average will establish the coldest 3-day period and the highest such average will establish the hottest 3-day period.

The Simulated Operating Scenarios will be developed using actual stream flows (including calculated Incremental Side Flows), operating constraints, and initial Simulator Project forebay elevations from the 3-day test periods as input parameters. Each Simulator Project's hourly generation request will be set equal to such Simulator Project's actual generation value from the representative test periods. Power Services will compare each of the Simulator Project's simulated hourly generation values to such Simulator Project's actual hourly generation values for each of the 6 peak hours on any of the test days. The 6 peak hours shall be established as the 6 hours with the largest combined actual Simulator Project generation each day. The peaking test will be deemed to have failed if either of the following occurs:

- (1) The Simulator Projects' combined simulated generation value deviates from the Simulator Projects' combined actual generation value by more than 200 aMW over the 6 peak hours on any of the test days; or



- (2) The Simulator Projects' combined simulated generation value deviates from the Simulator Projects' combined actual generation value by more than 400 MW on any of the 6 peak hours on any of the test days.

#### 3.5.3.4 Ramp Down Test

Using actual stream flows (including calculated Incremental Side Flows), operating constraints, initial Simulator Project forebay elevations, and Simulator Project generation values from the dates specified below as input parameters, Power Services shall develop a separate Simulated Operating Scenario for each specified date. Power Services shall compute the difference between the simulated Grand Coulee generation change and the actual Grand Coulee generation change for each two consecutive hours between Scheduling Hour 20 and Scheduling Hour 02 for each study day. The ramp down test will be deemed to have failed if one or more of the following occurs:

- (1) The difference between the simulated and actual Grand Coulee generation change is greater than 300 MW on any two consecutive hours between Scheduling Hour 20 and Scheduling Hour 02, on any ramp down test date;
- (2) The average difference between the simulated and actual Grand Coulee generation change is greater than 100 MW for each two consecutive hours between Scheduling Hour 20 and Scheduling Hour 02 on any ramp down test date.
- (3) The ramp down test dates will be:  
January 7-8 (Th-F) and 16-17 (Sa-Su), 2010,  
February 4-5 (Th-F) and 24-25 (W-Th), 2010,  
March 10-11 (W-Th) and 22-23 (M-Tu), 2010,  
April 2-3 (F-Sa) and 19-20 (M-Tu), 2010,  
May 6-7 (Th-F) and 27-28 (Th-F), 2010,  
June 9-10 (W-Th) and 21-22 (M-Tu), 2010,  
July 1-2 (Th-F) and 30-31 (F-Sa), 2010,  
August 12-13 (Th-F) and 20-21 (F-Sa), 2010,  
September 6-7 (M-Tu) and 16-17 (Th-F), 2010.

#### 3.5.3.5 Changes to Simulator Performance Test Criteria

If the Simulator Performance Test fails, and after Power Services discusses the results of the test with Idaho Falls, the Parties agree the test criteria is unreasonable, inappropriate, or unattainable, then the Parties may mutually agree to either deem the Simulator Performance Test as having passed, or alter the test criteria prior to conducting subsequent Simulator Performance Tests.

**3.5.4 Simulator Accuracy**

Idaho Falls and Power Services acknowledge that model errors are inevitable. No cumulative accounting of model error impacts shall be required or established.

3.5.4.1 To minimize such errors Power Services shall ensure Simulator Parameters established for the Simulator reasonably reflect the expected values for forecasted inflows and Operating Constraints and that the Simulator reasonably represents the operational attributes of the Simulator Projects. Power Services shall develop a process to account and correct for differences between forecasted and measured inflows and H/K values reflected in the Simulator in an effort to minimize cumulative deviations. Idaho Falls shall accept such inputs and corrections, and shall ensure that Customer Inputs established for the Simulator reasonably reflect Idaho Falls' intended use of hourly scheduling flexibility within the established Delivery Limits.

3.5.4.2 As an ongoing check of the Simulator's accuracy, Power Services shall run a retrospective Simulator Performance Test as described in section 3.5.3 of this exhibit by October 31 of each calendar year during the term of this Agreement, beginning with calendar year 2012. The Simulator accuracy criteria for each Simulator Performance Test shall be set equal to actual Simulator accuracy associated with the preceding Simulator Performance Test results, unless the Parties agree otherwise through the SIG process. The specific study dates for each Simulator Performance Test shall be as agreed by the Parties. The test criteria for each Simulator Performance Test may be modified as agreed by the Parties. The results of each such test shall be made available to Idaho Falls by November 15 of each calendar year. The frequency of such tests may be modified by agreement of the Parties through the SIG process.

3.5.4.3 If any annual Simulator Performance Test results are not within the accuracy criteria established pursuant to section 3.5.4.2 of this exhibit, Power Services, in consultation with Idaho Falls and other members of the SIG, shall promptly implement modifications needed to bring the Simulator output in compliance with such accuracy criteria.

**3.5.5 Documentation of Simulator Updates, Upgrades, or Replacements and Idaho Falls' Required Actions**

At least 30 days prior to Power Services implementing any updates, upgrades, or replacements to the Simulator, the Simulator specifications manual described in section 3.5.1 of this exhibit shall be

revised by Power Services and distributed to Idaho Falls' SIG representative. Within such 30 day period Idaho Falls shall test its systems and provide sufficient training to its staff to allow it to prudently manage the changes resulting from the updates, upgrades, or replacements.

### **3.6 Calculation and Application of the Calibrated Simulator Discharge**

3.6.1 Power Services shall calculate Idaho Falls' Calibrated Simulator Discharge for each Simulator Project by summing the following components for each hour.

- (1) The value produced by dividing Idaho Falls' Simulated Output Energy Schedule by the actual H/K associated with each such Simulator Project. For Grand Coulee and Chief Joseph the actual H/K shall reflect the previous day average, whereas for all other Simulator Projects, the actual H/K shall reflect the previous hour. For Grand Coulee only, the actual H/K shall reflect an adjustment based on Idaho Falls' SOA for Grand Coulee;
- (2) The actual Bypass Spill associated with each such Simulator Project;
- (3) The actual required Fish Spill associated with each such Simulator Project;
- (4) Idaho Falls' simulated Elective Spill associated with each such Simulator Project; and,
- (5) Idaho Falls' simulated Forced Spill associated with each such Simulator Project.

3.6.2 Idaho Falls' Calibrated Simulator Discharge for each Simulator Project shall be used to establish Idaho Falls' Storage Offset Account balances, as described in section 4 of Exhibit N.

### **3.7 Calculation and Application of the Hydraulic Link Adjustment**

3.7.1 Idaho Falls' Hydraulic Link Adjustment values shall be determined for the following periods of each day of this Agreement, beginning October 1, 2011.

- (1) The period including hours ending 2300 through 0600;
- (2) The period including hours ending 0700 through 1400; and
- (3) The period including hours ending 1500 through 2200.

- 3.7.2 Idaho Falls' Hydraulic Link Adjustment values shall be equal to Idaho Falls' average Chief Joseph Calibrated Simulator Discharge for each period above, minus the average Chief Joseph measured discharge for the same period.
- 3.7.3 Idaho Falls' Hydraulic Link Adjustment values shall be applied as an adjustment to Idaho Falls' simulated inflow to McNary in an equivalent amount for each hour of the same period for the following day.

#### 4. **BALANCE OF SYSTEM MODULE**

The BOS Module will include processes that compute: (1) the BOS Base amounts, (2) the BOS Flex amounts, (3) Idaho Falls' BOS Deviation Return amounts, and (4) Idaho Falls' Additional Energy amounts, all as specified below.

##### 4.1 **BOS Base Amount**

Consistent with the following provisions, the BOS Base amount shall be determined by Power Services and provided to Idaho Falls.

4.1.1 The BOS Base amount, for each hour, shall be equal to the sum of: (1) Power Services' latest planned or scheduled generation amounts associated with the BOS Complex projects, (2) the amount of Elective Spill Power Services implements on the BOS Complex projects, (3) the amount of RHW M Augmentation, as described in Exhibit L, and (4) the forecast amount of energy associated with Tier 1 System Obligations. Tier 1 System Obligations will be netted against or added to the BOS Complex generation as appropriate. Energy associated with RHW M Augmentation included in the BOS Base amount shall be applied in equal amounts each hour of each FY.

4.1.2 Idaho Falls' hourly BOS Base schedules shall be equal to the hourly BOS Base amounts multiplied by Idaho Falls' Slice Percentage.

##### 4.2 **BOS Flex Amount**

Consistent with the following provisions, the BOS Flex amount shall be determined by Power Services and made available to Idaho Falls on an as available basis.

4.2.1 The BOS Module will: (1) determine if there is sufficient flexibility to reshape the hourly generation associated with the Lower Snake Complex that is included in the BOS Base amount, and if so, (2) provide as output the resulting amount by which the BOS Base amount can be increased or decreased on any given hour. The BOS Module will specify the BOS Flex amounts that are available for preschedule as well as adjusted BOS Flex amounts that are available for real-time.

4.2.2 Such BOS Flex amounts shall reflect, in the judgment of Power Services, the amount by which the BOS Base amount can reasonably

be reshaped using the within-day flexibility available in the Lower Snake Complex, taking into account the Operating Constraints and stream flow conditions.

- 4.2.3 Idaho Falls shall determine its planned hourly use of the BOS Flex and submit to Power Services as part of the preschedule process, positive and negative hourly BOS Flex schedules that sum to zero for each day. A positive hourly BOS Flex schedule shall reflect an increase relative to the BOS Base amount and a negative hourly schedule shall reflect a decrease relative to the BOS Base amount.
- 4.2.4 In real-time, Idaho Falls shall update its hourly BOS Flex schedules to comply with revised BOS Flex amounts. If a mid-day change to the BOS Flex amounts prohibits Idaho Falls from scheduling its net day-total BOS Flex energy to equal zero, then Idaho Falls shall adjust its BOS Flex schedules to bring its net day total BOS Flex schedule as close to zero as possible within the revised BOS Flex amounts. Idaho Falls' BOS Deviation Account balance shall be adjusted to compensate for any non-zero day-total BOS Flex amount scheduled for any calendar day.
- 4.2.5 The BOS Flex available to Idaho Falls shall be equal to the BOS Flex determined pursuant to this section 4.2 multiplied by Idaho Falls' Slice Percentage.
- 4.2.6 If Idaho Falls determines it has a significant risk of not meeting its firm load service at any time, Idaho Falls may request that Power Services, as time permits and based on its professional judgment, assess the ability to modify the established BOS Flex amounts within applicable Operating Constraints. If Power Services alters such BOS Flex amounts, such updated values shall apply to all Slice Customers. Idaho Falls acknowledges such assessment by Power Services may result in an increase, decrease or no change to any of the remaining hourly BOS Flex amounts.

**4.3 BOS Deviation Return Amounts**

The BOS Module will compute and establish Idaho Falls' BOS Deviation Return amounts as established in section 4.4.1 of Exhibit N.

**4.4 Additional Energy Amounts**

The BOS Module will compute and establish Idaho Falls' Additional Energy schedules pursuant to section 5.8 of the body of this Agreement.

**4.5 Total BOS Amounts**

Idaho Falls' total BOS amount shall be equal to the sum the following components, rounded to a whole number:

- (1) the BOS Base schedule as established pursuant to section 4.1 of this exhibit;

- (2) the BOS Flex schedule as established pursuant to section 4.2 of this exhibit;
- (3) the BOS Deviation Return amount described in section 4.3 of this exhibit; and,
- (4) the Additional Energy amount described in section 4.4 of this exhibit.

**5. DEFAULT USER INTERFACE**

Power Services shall develop and maintain a Default User Interface (DUI) for Idaho Falls' use in interacting with the Slice Computer Application. Idaho Falls may utilize the DUI as its primary interface or may use an interface it develops in-house. If Idaho Falls' primary interface is not the DUI, then Idaho Falls shall maintain back-up functionality through, and staff capability to operate the DUI in the event Idaho Falls' in-house interface is unavailable. The DUI shall include the functional capabilities listed below.

- (1) Provide Idaho Falls access to the Simulator for submittal of Customer Inputs and to run Simulated Operating Scenarios.
- (2) Provide Idaho Falls feedback and reports from the Simulator and BOS Module as set forth in sections 3.4 and 4.2.1 of this exhibit.
- (3) Provide Idaho Falls input/output displays related to the Simulator and BOS Module.

**6. SCA REPORTS**

6.1 No later than 5 minutes following the end of each Scheduling Hour, the SCA shall provide Idaho Falls a detailed report that specifies: (1) Idaho Falls' Calibrated Simulator Discharges as specified in section 3.6 of this exhibit, (2) Idaho Falls' SOA balances as specified in section 4 of Exhibit N, (3) Idaho Falls' adjusted forebay elevations for the Simulator Projects as specified in section 4.3 of Exhibit N, and (4) the after-the-fact project data Idaho Falls shall use to verify its hourly SOA balances.

6.2 Power Services shall make available to Idaho Falls, via the Slice Computer Application, a report which shall present all changes to Simulator Parameters that have been made by Power Services between a user specified start date/time and end date/time. Power Services shall include brief, concise explanatory statements coincidental with significant Simulator Parameter changes.

6.3 Power Services shall make available to Idaho Falls, via the Slice Computer Application, a report which shall present all Prudent Operating Decisions implemented by Power Services in the Simulator, between a user specified start date/time and end date/time. The report shall include the reason for imposing the Prudent Operating Decision and the manner in which Power

Services incorporated the Prudent Operating Decision into the Simulator Parameters.

**7. HOURLY DELIVERY REQUEST**

Idaho Falls' hourly Delivery Request for Slice Output Energy associated with any given Scheduling Hour shall be equal to the sum of the following components:

- (1) the sum of Idaho Falls' final Simulated Output Energy Schedules established per section 3.3.7 of this exhibit for each of the Simulator Projects multiplied by Idaho Falls' Slice Percentage, rounded to a whole number; and
- (2) Idaho Falls' total BOS amount, established pursuant to section 4.5 of this exhibit.

Idaho Falls shall revise its hourly Delivery Requests for Slice Output Energy consistent with the requirements of section 3.4 of Exhibit F.

**8. SCA TRIAL PERIODS**

BPA shall facilitate four separate week-long SCA trial periods. During these trial periods, BPA shall maintain a test version of the SCA in a form as near to production status as possible, including the functionality for Idaho Falls to submit Customer Inputs and run the Simulator to produce Simulated Operating Scenarios and final Simulated Operating Scenarios through the DUI and through the secure network protocols, and to receive results from the submittal processes. The selection of specific weeks for such trial periods will be coordinated through the SIG, but shall begin no later than April 1, 2011 and shall end no later than August 1, 2011. Results and feedback of the trial periods will be reported to the SIG at which time any suggestions for improving the SCA, the Simulator, or the processes necessary to support and maintain the SCA will be discussed and considered by the Parties.

**9. REVISIONS**

Revisions to this Exhibit M shall be by mutual agreement of the Parties.

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**Exhibit N  
SLICE IMPLEMENTATION PROCEDURES**

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- 1. SLICE IMPLEMENTATION PROCEDURES – GENERAL DESCRIPTION**  
The procedures established in this Exhibit N shall be used by BPA and Idaho Falls in conjunction with Exhibit M to implement deliveries of energy sold to Idaho Falls under the Slice Product.

In the event Exhibit O is implemented pursuant to section 5.10.3.2 of the body of this Agreement and provisions of this Exhibit N are in conflict with provisions of Exhibit O, provisions of Exhibit O shall prevail.

**2. DEFINITIONS**

The following definitions apply only to this Exhibit N.

2.1 “Multiyear Hydroregulation Study” means a hydroregulation study that simulates the prospective monthly operation of the Tier 1 System, typically for a 12-month period, given a range of stream flow sequences.

2.2 “Slice Storage Account” or “SSA” means the account maintained by Power Services that records the sum of: (1) Idaho Falls’ Grand Coulee Storage Offset Account balance, and (2) the product of Idaho Falls’ Slice Percentage and the Grand Coulee actual Storage Content.

**3. DATA PROVIDED BY POWER SERVICES**

In addition to information exchanged and provided through provisions of Exhibit M and in order to assist Idaho Falls in managing and planning the use of its Slice Output, Power Services shall provide Idaho Falls the following information.

3.1 Tier 1 System operational information as described in sections 7, 8 and 9 of this exhibit.



- 3.2 Idaho Falls' SOA and BOS deviation account balances as described in section 4 of this exhibit.

**4. STORAGE AND DEVIATION ACCOUNTING**

As described below, Power Services shall determine and make available to Idaho Falls separate storage deviation account balances (Storage Offset Accounts or SOA) for each Simulator Project. The Storage Offset Accounts shall use measured project discharges, H/K values, and forebay elevations as benchmarks. Power Services shall also determine and make available to Idaho Falls an energy deviation account balance for the BOS Complex. The BOS Deviation Accounting benchmark shall be the Actual BOS Generation.

- 4.1 Idaho Falls' Storage Offset Account balances shall be established for each Simulator Project each hour in terms of the cumulative difference, expressed in thousands of second-foot-days (ksfd), between Idaho Falls' simulated project Storage Contents and actual project Storage Contents, based on the sum of the following components:

4.1.1 For each Simulator Project except Grand Coulee and McNary, Idaho Falls' Calibrated Simulator Discharge, as described in section 3.6 of Exhibit M, from the next-upstream Simulator Project minus such next-upstream Simulator Project's measured discharge, after considering approximate time lags;

4.1.2 The measured discharge from each Simulator Project minus Idaho Falls' Calibrated Simulator Discharge from such Simulator Project;

4.1.3 For McNary only, Idaho Falls' Hydraulic Link Adjustment, as described in section 3.7 of Exhibit M, and;

4.1.4 Idaho Falls' prior-hour SOA balance for each Simulator Project.

- 4.2 Power Services shall initialize Idaho Falls' September 30, 2011, SOA balance for each Simulator Project at zero.

4.3 For purposes of initializing Idaho Falls' official hourly simulated forebay elevations in the Simulator, Idaho Falls' SOA balance for each Simulator Project shall be added to the associated project's actual Storage Content and the result shall be converted to an equivalent forebay elevation using content-to-elevation tables established for such project.

4.4 Idaho Falls' BOS Deviation Account shall be equal to the cumulative difference, expressed in MWd, between Idaho Falls' BOS Base amount for each Scheduling Hour and the product of the Actual BOS Generation and Idaho Falls' Slice Percentage for each such hour. Idaho Falls' BOS Deviation Account balance shall be adjusted based on the following procedures:

4.4.1 Any time the absolute value of Idaho Falls' BOS Deviation Account balance, as of midnight the day prior to a day on which prescheduling

occurs, is greater than 2 MWd per Idaho Falls' Slice Percentage (Slice Percentage \* 2 \* 100), Idaho Falls shall schedule BOS Deviation Return energy each hour the following preschedule day in an amount equal to 1 MW per Idaho Falls' Slice Percentage, rounded to a whole number. Such BOS Deviation Return energy shall be scheduled as positive or negative values, as appropriate to reduce Idaho Falls' BOS Deviation Account balance toward zero.

4.4.2 On or before the 15<sup>th</sup> day of each month Power Services shall determine and provide to Idaho Falls the results of an Actual BOS Generation calculation for the previous month that incorporates updated actual project generation and Tier 1 System Obligation values for each hour of such month. Based on the monthly Actual BOS Generation calculation, Power Services shall determine a monthly BOS deviation, expressed in MWd, relative to the hourly BOS Base amounts. On the 20<sup>th</sup> day of each month Power Services shall adjust Idaho Falls' BOS Deviation Account balance by an amount equal to Idaho Falls' Slice Percentage multiplied by the monthly BOS deviation associated with such previous month.

4.5 Idaho Falls shall make all reasonable efforts to adjust its requests for deliveries of Slice Output Energy to reduce its SOA balances to zero by 2400 hours PPT on September 30, 2028, or the date of termination of this Agreement, whichever occurs earlier. Any balances in Idaho Falls' SOAs as of the earlier of 2400 hours on September 30, 2028, or the date of termination of this Agreement shall be converted to energy amounts by multiplying such SOA balances by the associated federal downstream H/Ks. The resulting energy amounts shall be summed with Idaho Falls' BOS Deviation Account balance as of the earlier of 2400 hours on September 30, 2028, or the date of termination of this Agreement. The resulting amount of energy, expressed in MWh, if positive, shall be delivered by Power Services to Idaho Falls, or if negative, delivered by Idaho Falls to Power Services, within the next 30 days after the termination of this Agreement.

## 5. OPERATING CONSTRAINT AND BOS FLEX VIOLATIONS

### 5.1 Operating Constraint Violations

The Simulator is designed such that Idaho Falls' Simulated Operating Scenario maintains compliance with all Hard and Absolute Operating Constraints. However, Power Services and Idaho Falls recognize there may be occasions where one or more Hard or Absolute Operating Constraints are violated within a Simulated Operating Scenario. In the event the Customer Inputs submitted by Idaho Falls result in the violation of one or more Hard or Absolute Operating Constraints in a final Simulated Operating Scenario, as established per section 3.3.7 of Exhibit M, Power Services shall establish operating guidelines based upon its determination of how Power Services would operate the system under similar conditions, such as operating to a minimum flow constraint, that Idaho Falls shall follow until such time as Idaho Falls' final Simulated Operating Scenario is in compliance with all

Operating Constraints. Power Services may also, upon its determination that Idaho Falls could have reasonably avoided such Operating Constraint violation, apply a penalty pursuant to section 5.1.4 of this exhibit for as long as such Hard or Absolute Operating Constraint is violated based upon Idaho Falls' final Simulated Operating Scenarios.

- 5.1.1 Idaho Falls shall be responsible for monitoring and anticipating potential Operating Constraint violations on a prospective basis and adjusting Customer Inputs as needed to maintain compliance.
- 5.1.2 Hourly Operating Constraint validations and violations associated with the Simulator Projects shall be based on Customer Inputs established by Idaho Falls and submitted to Power Services within the Power Services real-time scheduling deadline pursuant to section 4.1 of Exhibit F.
- 5.1.3 Grand Coulee's Project Storage Bound validations, violations and resulting penalties shall be determined pursuant to section 6 of this exhibit.
- 5.1.4 Pursuant to the terms set forth in section 5 above, Power Services shall have the right to reduce Idaho Falls' Delivery Request by up to 100% of Idaho Falls' total Simulated Output Energy Schedule for the Lower Columbia Complex for lower Columbia Simulator Project violations, or the Coulee-Chief Complex for Grand Coulee or Chief Joesph Simulator Project violations, on any given hour, taking into account the extent to which BPA determines it would face consequences under similar conditions, subject to the following provisions:
  - 5.1.4.1 Only for hours in which Idaho Falls' final Simulated Operating Scenarios are in violation of a Hard or Absolute Operating Constraint at one or more Simulator Projects;
  - 5.1.4.2 Only to the extent Power Services notifies Idaho Falls of the reduction at least 60 minutes prior to the Scheduling Hour on which the reduction shall be applied;
  - 5.1.4.3 Only to the extent Idaho Falls fails to remedy the Operating Constraint violation prior to the deadline established in section 4.1 of Exhibit F, and;
  - 5.1.4.4 Only for violations of Hard or Absolute Operating Constraints other than Grand Coulee's PSB.

**5.2 BOS Flex Violations**

Hourly Delivery Limit validations and violations associated with BOS Flex amounts shall be based on Idaho Falls' BOS Flex schedules submitted to Power Services as of the deadline set forth in section 4.2 of Exhibit F. Idaho

Falls' BOS Flex schedules that exceed Idaho Falls' Slice Percentage multiplied by positive BOS Flex amounts shall be subject to the UAI Charge for energy and Idaho Falls' BOS Flex schedules that are less than Idaho Falls' Slice Percentage multiplied by negative BOS Flex amounts shall be forfeited.

**6. GRAND COULEE PROJECT STORAGE BOUND (PSB) EXCEEDENCES**

When Grand Coulee's upper or lower PSB is established as either a Soft or Hard Operating Constraint, Idaho Falls' simulated Grand Coulee forebay elevation shall be validated against such Grand Coulee's PSB once each day. Such validations shall occur as of Scheduling Hour 05 for the upper PSB and Scheduling Hour 22 for the lower PSB. When Grand Coulee's upper or lower PSB is established as an Absolute Operating Constraint, no PSB validation will be necessary and the Simulator will not allow violations of Absolute Operating Constraints.

**6.1 Determination of Grand Coulee PSB**

Power Services shall estimate the upper and lower Grand Coulee PSB associated with each day of the following 3 months as part of each 3-month forecast submitted pursuant to section 8 of this exhibit, and shall update such Grand Coulee PSB as conditions change and as needed to reflect updated Operating Constraints. To determine Grand Coulee's PSBs, Power Services shall calculate the Storage Content associated with the Grand Coulee upper and lower ORCs as established by Operating Constraints in effect. Power Services shall apply a Storage Content difference between the upper and lower Grand Coulee PSB equivalent to at least ½-foot at all times except when Grand Coulee is required to fill to 1290.0 feet for verification of refill. Power Services may specify other conditions under which this ½-foot difference does not apply.

**6.2 Application of the Grand Coulee PSB**

Power Services shall designate each Grand Coulee PSB that does not represent an Absolute Operating Constraint as either a Hard Operating Constraint or a Soft Operating Constraint. Unless designated otherwise by Power Services, Grand Coulee PSB associated with date-specific required forebay elevations shall be designated as Hard Operating Constraints and Grand Coulee PSB associated with interpolated points in effect on days between such date-specific required forebay elevations shall be designated as Soft Operating Constraints. Idaho Falls shall maintain its Slice Storage Account balance within the upper and lower Grand Coulee PSB that are designated as Hard Operating Constraints, or be subject to penalties as established in section 6.4 of this exhibit. Idaho Falls' Slice Storage Account balance may exceed the upper or lower Grand Coulee PSB designated as Soft Operating Constraints without penalty. However, Idaho Falls recognizes that maintaining an SSA that is not within the upper and lower Grand Coulee PSB increases Idaho Falls' risk of violating the Grand Coulee PSB designated as Hard Operating Constraints and incurring the associated penalties.

**6.3 Determination of Idaho Falls' Grand Coulee PSB Exceedence**

Idaho Falls' Grand Coulee PSB exceedence shall be equal to the Storage Content by which Idaho Falls' Slice Storage Account balance is: (1) in excess of the value determined by multiplying Idaho Falls' Slice Percentage by the upper Grand Coulee Project Storage Bound, or (2) less than the value determined by multiplying Idaho Falls' Slice Percentage by the lower Grand Coulee Project Storage Bound. An upper Grand Coulee PSB exceedence is denoted as a positive value, while a lower Grand Coulee PSB exceedence is denoted as negative value.

**6.4 Grand Coulee PSB Exceedences, Idaho Falls' Actions, and Penalties**

6.4.1 Idaho Falls shall be responsible for monitoring its SSA balance and any Grand Coulee PSB exceedence. If Idaho Falls' Grand Coulee PSB exceedence is positive, denoting an exceedence of the upper Grand Coulee PSB, on a day in which the upper Grand Coulee PSB is designated as a Hard Operating Constraint, the following shall apply.

6.4.1.1 Idaho Falls shall immediately modify and submit to Power Services its Customer Inputs associated with Grand Coulee such that the most restrictive maximum discharge constraint in effect at the Simulator Projects is achieved in its Simulated Operating Scenario. Idaho Falls shall maintain such simulated operation until such time as Idaho Falls' SSA balance is within Grand Coulee's upper and lower PSB.

6.4.1.2 If Idaho Falls fails to take the action specified in section 6.4.1.1 of this exhibit, then Idaho Falls' Grand Coulee SOA balance shall be reduced by an amount equal to the PSB exceedence determined pursuant to section 6.3 of this exhibit.

6.4.2 If Idaho Falls' Grand Coulee PSB exceedence is negative, denoting an exceedence of the lower Grand Coulee PSB, on a day in which the lower Grand Coulee PSB is designated as a Hard Operating Constraint, the following shall apply.

6.4.2.1 Idaho Falls shall immediately modify and submit to Power Services its Customer Inputs associated with Grand Coulee such that the most restrictive minimum discharge constraint in effect at the Simulator Projects is achieved in its Simulated Operating Scenario. Idaho Falls shall maintain such simulated operation until such time as Idaho Falls' SSA balance is within Grand Coulee's upper and lower PSB.

6.4.2.2 If Idaho Falls fails to take the action specified in section 6.4.2.1 of this exhibit, then a penalty shall be applied to Idaho Falls equal to Grand Coulee's at-site Storage Energy amount, expressed in MWh, associated with the absolute value of the Grand Coulee PSB exceedence determined

pursuant to section 6.3 of this exhibit multiplied by the UAI Charge for energy.

## 7. COMMUNICATIONS

- 7.1 Idaho Falls shall be solely responsible for its internal dissemination of information provided by Power Services pursuant to Exhibit M and this Exhibit N.
- 7.2 Idaho Falls shall be able to utilize the Default User Interface, as described in section 5 of Exhibit M, to review the Simulator Parameters established by Power Services.
- 7.3 Power Services shall make reasonable efforts to promptly notify Idaho Falls of potential and significant system condition or operational changes via e-mail, XML messaging, and/or the daily conference call described in section 7.5 of this exhibit.
- 7.4 Power Services shall communicate Federal Operating Decisions and Prudent Operating Decisions to Idaho Falls in the following manner:
- 7.4.1 An initial listing and description of Federal Operating Decisions and Prudent Operating Decisions that affect the Simulator Projects and are in effect as of September 30, 2011;
- 7.4.2 A publication via the Slice Computer Application as soon as practicable after BPA is informed of a Federal Operating Decision, or BPA makes either a Federal Operating Decision or Prudent Operating Decision affecting the Simulator Projects; and
- 7.4.3 A verbal report to the attendees during the next scheduled daily conference call as described in section 7.5 of this exhibit regarding Federal Operating Decisions or Prudent Operating decisions that have a material impact on the operation of the Simulator Projects, BOS Complex, or Tier 1 System Obligations.
- 7.5 Beginning September 28, 2011, and on each Business Day thereafter, Power Services shall initiate an informational conference call with Idaho Falls and the other Slice Customers promptly at 12:40 PPT to discuss current and upcoming operating parameters and other related matters. The time and frequency of the call may be changed upon the mutual agreement of Power Services, Idaho Falls, and the other SIG members. Idaho Falls shall receive notice from Power Services via e-mail at least three Business Days prior to any such change.
- 7.6 Subject to the provisions set forth in section 5.12 of the body of this Agreement, Power Services, Idaho Falls, and other Slice Customers shall establish a forum to review and discuss Operating Constraints and their application.

**8. 3-MONTH FORECAST OF SLICE OUTPUT**

- 8.1 Prior to September 24, 2011 and prior to the 24<sup>th</sup> day of each month thereafter, Power Services shall provide Idaho Falls with the results of a 3-month forecast, pursuant to section 8.2 of this exhibit. Power Services shall revise such forecast during the month in the event conditions change significantly and shall make such revised forecast available to Idaho Falls in a timely manner.
- 8.2 Power Services, consistent with its internal study processes, shall perform two single-trace hydroregulation studies that incorporate the expected stream flow condition for the upcoming 3-month period in weekly time periods. One study shall operate Grand Coulee as needed to satisfy the minimum Simulator Project flow constraint in order to attain the highest reservoir elevations possible at Grand Coulee, limited by its upper ORC, and one study shall operate to Grand Coulee as needed satisfy the Simulator Project maximum flow constraint in order to attain the lowest reservoir elevations possible at Grand Coulee, limited to its lower ORC. Both studies shall reflect a pass-inflow operation at all other Simulator Projects and the expected operation at all other Tier 1 System Resources and non-federal projects that are represented in the study, such as Brownlee, Kerr, and the mid-Columbia projects. Power Services shall initialize the starting reservoir Storage Contents for each study equal to the Storage Contents projected to occur at midnight on the study initialization date. Based on the results of these studies, Power Services shall provide to Idaho Falls the weekly natural inflow, turbine discharge, generation, Spill discharge, and ending elevation for each of the Simulator Projects, the Snake Complex projects, Libby, Hungry Horse, Dworshak, and Keenleyside (Arrow); the weekly generation forecasts for the sum of the remaining BOS projects, excluding CGS; the weekly CGS generation forecast; and the weekly forecast of the individual Tier 1 System Obligations. Power Services shall also provide a summary of weekly aggregated planned generator maintenance outages for all Tier 1 System Resources, expressed in total MW, as well as the estimated daily Grand Coulee upper and lower PSB for the study period.

**9. 12-MONTH FORECAST OF SLICE OUTPUT**

- 9.1 Prior to July 15, 2011, and prior to each July 15 thereafter during the term of this Agreement, Power Services, Idaho Falls, and other Slice purchasers shall meet to discuss and review inputs, assumptions, and content of the Multiyear Hydroregulation Study used to develop the 12-month forecast described in section 9.4 of this exhibit.
- 9.2 Prior to August 1, 2011, and prior to each August 1 thereafter during the term of this Agreement, Power Services shall provide Idaho Falls with results from the 12-month forecast, pursuant to section 9.4 of this exhibit.

- 9.3 Prior to August 15, 2011, and prior to each August 15 thereafter during the term of this Agreement, Power Services, Idaho Falls, and other Slice purchasers shall meet to discuss the results of the 12-month forecast described in section 9.4 of this exhibit.
- 9.4 Power Services, consistent with its internal study processes, shall perform a single Multiyear Hydroregulation Study for the upcoming October through September period representing a range of potential stream flow traces (typically 43 traces). The study shall reflect Grand Coulee operating to its ORC at times when its upper and lower ORC are equal. At times when Grand Coulee's upper and lower ORC are not equal, the study shall reflect Coulee operating in a manner that achieves all Simulator Project flow constraints when possible. The study shall represent a pass-inflow operation at all other Simulator Projects and the expected operation at all other Tier 1 System Resources and non-federal projects that are represented in the study, such as Brownlee, Kerr, and the mid-Columbia projects. Power Services shall initialize the starting reservoir Storage Contents for this study at the Storage Contents projected to occur at midnight on the study initialization date. Based on the results of this study, Power Services shall provide to Idaho Falls the monthly natural inflow, turbine discharge, generation, Spill discharge, and ending elevation for each of the Simulator Projects, the Snake Complex projects, Libby, Hungry Horse, Dworshak, and Keenleyside (Arrow); the monthly generation forecasts for the sum of the remaining BOS projects, excluding CGS; the monthly CGS generation forecast; and the monthly forecast of the individual Tier 1 System Obligations. Power Services shall also provide a summary of monthly aggregated planned generator maintenance outages, expressed in total MW, for all Tier 1 System Resources.

#### 10. CONGESTION MANAGEMENT

If there are congestion management requirements placed on Power Services by the Balancing Authority, Power Services shall adhere to the operational requirements of such congestion management requirements and shall apply such operational requirements to Idaho Falls consistent with the terms of this Agreement.

#### 11. CONFIDENTIALITY

BPA considers all prospective operational information associated with the Tier 1 System or any Tier 1 System Resource to be proprietary and business sensitive. Such information that is provided by BPA to Idaho Falls or its scheduling agent pursuant to Exhibit M or this Exhibit N shall be treated as confidential by Idaho Falls and its scheduling agent. Idaho Falls shall limit its use of such information to its employees or agent solely for the implementation of the terms of this Agreement, and to no others. BPA reserves the right to withhold such operational information from scheduling agents that BPA determines are significant, active participants in WECC wholesale power or transmission markets and that are not purchasers of the Slice Product. If Idaho Falls enlists the services of a scheduling agent that is not a purchaser of the Slice Product Idaho Falls shall require its scheduling agent to develop systems or procedures that create functional separation between Slice related operational information and such scheduling agent's marketing functions.



12. **REVISIONS**

Revisions to this Exhibit N shall be by mutual agreement of the Parties.

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PDF Version

**Exhibit O**  
**INTERIM SLICE IMPLEMENTATION PROCEDURES**

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This Exhibit O shall be implemented only if the SCA Implementation Date, as established pursuant to section 5.10.3.2 of the body of this Agreement, is later than October 1, 2011. If implemented, this Exhibit O shall be in effect beginning October 1, 2011 and shall remain in effect until the SCA Implementation Date.

If this Exhibit O is implemented, any provisions of this Exhibit O that are in conflict with provisions of Exhibit N shall prevail over such provisions of Exhibit N.

To implement the provisions of this Exhibit O, BPA and Idaho Falls shall not utilize the Slice Computer Application as described in Exhibit M, but shall instead utilize the computer application developed and utilized to implement the Block and Slice Power Sales Agreements (Subscription Slice Agreements) that were in effect between October 1, 2001 and September 30, 2011. If Idaho Falls was not a party to such Subscription Slice Agreements Idaho Falls shall enlist the services of a BPA customer that was a party to such Subscription Slice Agreements, or its scheduling agent, in order to implement the provisions of this exhibit. The cost for such services that may be required for Idaho Falls to implement this Exhibit O shall be borne solely by Idaho Falls.

**1. DEFINITIONS**

Terms with initial capitalization that are not defined in this exhibit shall be as defined in the body of this Agreement. Generally, calculations associated with defined terms within this exhibit are for the whole of the Slice System. Wherever a similar value is needed for Idaho Falls' share of the Slice System values, the term "individual" is inserted before the defined term. Defined terms that contain the

word "Generation" are for the Slice System as a whole. Defined terms that contain the word "Output" or are preceded by "individual" are customer-specific.

For purposes of implementing this Exhibit O, all references to "Slice System", "Slice System Resources", "System Obligations", "Slice System Obligations" and any internal reference to "Slice System" will be deemed to mean Tier 1 System, such as Tier 1 System Resources, Tier 1 System Obligations and Tier 1 System Capability.

- 1(a) "Absolute Minimum Estimated Slice System Generation" means the least amount of energy the Slice System, as adjusted by System Obligations, can produce in a given time period.
- 1(b) "Actual Net Slice System Generation (ANSSG)" means the sum of the ATSG in megawatt-hours (MWh) and the gross Elective Spill in MWh used in the calculation of net Elective Spill in section 7(g)(2).
- 1(c) "Dispatchable Projects" means those Slice System generation resources that are available for redispatching with less advance notice than a calendar day, and include, but are not limited to, Grand Coulee, Chief Joseph, Lower Granite, Little Goose, Lower Monumental, Ice Harbor, McNary, John Day, The Dalles, and Bonneville.
- 1(d) "Estimated Slice System Generation (ESSG)" means the sum of the estimated generation produced at all the projects in the Slice System after adjustment for Operating Constraints and System Obligations over a given period of time.
- 1(e) "Fixed Flow" shall refer to an operational state when the maximum and minimum daily Estimated Slice System Generation, as provided by BPA pursuant to section 9(a)(5), are the same, and which is the result of Operating Constraints that restrict the ability to utilize the capability of the Slice System to store or draft water on different days.
- 1(f) "Grace Margin" means the amount by which Idaho Falls may exceed its SSSB without incurring penalties.
- 1(g) "Grace Margin Spill Account (GMSA)" means the account which Power Services maintains that reflects the total amount of energy subtracted from the Slice purchasers' Slice Storage Deviation Accounts each day as a result of the Slice purchasers accruing Slice Storage Account balances that exceed their individual upper Slice System Storage Bound limit and their individual Grace Margin.
- 1(h) "Immediate Spill Deliveries" means energy BPA delivers to other parties for purposes of shifting spill from the FCRPS to the other parties' systems.
- 1(i) "Lower Snake Projects (LSN)" means the four hydroelectric Projects located on the lower reach of the Snake River, consisting of Lower Granite, Little Goose, Lower Monumental, and Ice Harbor

- 1(j) "Non-Dispatchable Projects" means the Slice System generating resources that are not Dispatchable Projects.
- 1(k) "Pondage" means the ability of the hydro facilities of the Slice System to use lower river ponds (e.g., the LCOL and LSN) in combination with Grand Coulee and Chief Joseph to shift energy within the day and between days. Pondage includes Pondage Up and Pondage Down as described and calculated in section 3(c). Pondage Up may be used to exceed the daily maximum ESSG and/or the TOP HLH maximum ESSG. Pondage Down may be used to generate below the daily minimum ESSG.
- 1(l) "Ramp Rate" means the maximum rate of change in the level of generation for a specified period within all applicable Operating Constraints.
- 1(m) "Slice Output Limits" means all storage, energy, capacity, and rate of change limits defined in this exhibit that limit the availability and use of Slice Output by Idaho Falls.
- 1(n) "Slice Storage Account" means the quantity equal to the sum of Idaho Falls' SSDA and the product of Idaho Falls' Slice Percentage and the Slice System Storage Energy, expressed in megawatt-days (MW-days).
- 1(o) "Slice System Deviation Account (SSDA)" means the amount of energy, in MW-days, that Idaho Falls' ASOE deviates from the product of the ANSSG and Idaho Falls' Slice Percentage, as described in section 7(d).
- 1(p) "Slice System Storage Bounds (SSSB)" means the maximum and minimum limits of the storage that is available to the Slice System, as calculated in section 3(b) below.
- 1(q) "Slice System Storage Energy (SSSE)" means the Storage Energy of the Slice System calculated by summing the Storage Energy in MW-days of certain Slice System projects, which shall include, but not be limited to Grand Coulee.
- 1(r) "Storage Energy" means the energy that would be produced if a reservoir released its entire Storage Content. Storage Energy amounts are determined by multiplying a reservoir's Storage Content, expressed in thousands of second-foot-days (KSFd), by such reservoir's at-site and downstream federal water-to-energy conversion factor (H/K).
- 1(s) "Technical Management Team" means that group comprised of representatives from federal and state (Oregon, Washington, Idaho, and Montana) agencies that is responsible for determining river operations in accordance with the FCRPS biological opinion and other applicable operational requirements.

- 1(t) "TOP Heavy Load Hours" or "TOP HLH" means the hours ending 0700 through 2200 Pacific prevailing time (PPT) for each day of the week (including Sundays and holidays).
- 1(u) "TOP Light Load Hours" or "TOP LLH" means the hours ending 0100 through 0600 PPT and hours ending 2300 through 2400 PPT for each day of the week (including Sundays and holidays).
- 1(v) "Weekly Constraint" means an operation of the FCRPS that requires a specific flow requirement for the week, typically specified as a discharge from McNary Dam. During this operation, the weekend average flow requirement must be at least 80% of the previous 5-weekday average discharge.

**2. CALCULATION OF INDIVIDUAL LIMITS, ROUNDING, AND PENALTY CHARGES**

- 2(a) This section intentionally left blank
- 2(b) This section intentionally left blank
- 2(c) This section intentionally left blank
- 2(d) **Calculation of Idaho Falls' Individual Limits**  
Unless otherwise specified, the calculation of such individual values, in MW, MWh, or MW-days, shall be the product of such value for the Slice System and Idaho Falls' Slice Percentage.
- 2(e) **Rounding of Calculations**  
All values in this exhibit that are expressed in terms of megawatts shall be expressed in whole megawatts. To the extent that a calculation results in a value that is not an integer, the number shall be converted to an integer using the following method:
  - 2(e)(1) If the decimal is less than 0.50, round down to the nearest whole number.
  - 2(e)(2) If the decimal is equal to or greater than 0.50, round up to the nearest whole number.
- 2(f) This section intentionally left blank
- 2(g) This section intentionally left blank
- 2(h) **Penalty Charges**  
If, after the day, it is determined that Idaho Falls has scheduled ASOE in excess of Idaho Falls' Slice Percentage of: (1) the one-hour maximum ESSG, (2) the one-hour maximum ESSG for Lower Snake Projects (LSN), (3) the one-hour maximum ESSG for the rest of the system, (4) the TOP HLH maximum ESSG for LSN, (5) the TOP HLH maximum ESSG for the rest of

the system (except as permitted in section 7(f) of this exhibit), (6) the daily maximum ESSG (except as permitted in section 7(f) of this exhibit) as adjusted by Idaho Falls' right to Pondage, and/or (7) the Ramp Rate Up, all as calculated under the provisions of this Exhibit O, then Idaho Falls may be charged at the Unauthorized Increase Charge for energy for the amount of such exceedence.

If, after the day, it is determined that Idaho Falls has scheduled ASOE in an amount less than Idaho Falls' Slice Percentage of: (1) the Absolute Minimum ESSG, (2) daily minimum ESSG as adjusted by Idaho Falls' right to Pondage, and/or (3) the one-hour or two-hour Ramp Rate Down, all as calculated under the provisions of this Exhibit O (such amount to be designated as "generation shortfall"), Idaho Falls' SSDA may be reduced by the generation shortfall. Such generation shortfall will be added to Idaho Falls' ASOE when computing Idaho Falls' Pondage and SSDA balances for that day.

Penalties assessed by Power Services pursuant to this Exhibit O may be waived by Power Services in accordance with section 25.5 of the body of this Agreement. Any waiver granted with respect to a specific circumstance shall not constitute a waiver of future exceedence, nor create a waiver for a recurrence of such circumstance or for any other circumstance.

### **3. CALCULATING THE SLICE SYSTEM STORAGE AND PONDAGE**

The following procedures shall be used in determining all quantities related to SSSE, SSSB and Pondage values. The calculation of SSSE and SSSB set out below is a generic methodology, which is to be used in specific applications in this Exhibit.

#### **3(a) Calculating the SSSE**

Power Services shall calculate the SSSE, as defined in section 1(q), by summing the Storage Energy of the project(s) listed in section 1(q).

#### **3(b) Calculating the SSSB**

Prior to midnight on the 23rd day of each month, Power Services shall provide Idaho Falls with a forecast of the upper and lower SSSB for the subsequent three months. To determine the SSSB, Power Services shall calculate the SSSE associated with the upper and the lower ORC, except that whenever Grand Coulee's upper ORC is 1,290.0 feet (full pool), the upper SSSB shall reflect the Storage Energy associated with 1,289.7 feet. The upper and the lower SSSB shall be increased or decreased as appropriate to reflect available Pondage.

#### **3(c) Calculating Pondage**

To calculate the Pondage limits Power Services will reflect the estimated effective H/K values, as adjusted for required Fish Spill, and shall assume the forebay elevations for the Simulator Projects are initialized for the day at two-thirds full within their current operational storage ranges. Using these input values for the current day or next day(s), as appropriate, Power Services shall calculate the maximum amount that the LCOL Complex and LSN Complex projects can be utilized, relative to their expected operation, to

increase the maximum daily ESSG and decrease the minimum daily ESSG by utilizing storage capabilities to store or draft water as appropriate. The resulting ability of the Federal System to increase maximum daily ESSG represents Pondage Up and the resulting ability of the Federal System to decrease minimum daily ESSG represents Pondage Down. Storing water at a particular project may increase or decrease overall Slice System generation, depending on the Operating Constraints in effect, and Power Services shall include such adjustment in the calculation of Pondage on an ongoing basis. Pondage Up limits shall be reported in positive values and Pondage Down limits shall be reported in negative values.

3(c)(1) During times when the Hanford Reach protection level flow is in effect, as established pursuant to the Hanford Reach Fall Chinook Protection Program Agreement as it then exists, the Pondage Down limit will be increased (made more negative) on Saturdays, Sundays, and holidays as appropriate to reflect the right to reduce discharge from Grand Coulee and Chief Joseph to levels below such protection level flow.

3(c)(2) During Fixed Flow operations associated with Weekly Constraints at McNary Dam, as defined in section 1(u), Pondage Up will be modified to reflect the shaping and flexibility allowed between the weekdays and the weekends as follows:

For Monday-Friday: Increase Pondage Up by the product of  $.303 * 24 * H/K_{GCL} * \text{weekly flow target}$

For Saturday: Increase Pondage Up by the product of  $.75 * .303 * 24 * H/K_{GCL} * \text{weekly flow target}$

For Sunday: Increase Pondage Up by 0

Where:

$H/K_{GCL}$  is the sum of the actual expected water-to-energy conversion factor for all Slice System projects from Grand Coulee to Bonneville Dam, taking into account the spill requirements at each of the projects, and the weekly McNary flow target, which is the flow requirement as determined by the Technical Management Team or through a Federal Operating Decision, in thousand second foot days (ksfd).

3(c)(3) During Fixed Flow operations, Idaho Falls' Pondage Up balance shall be increased and Pondage Down balance shall be decreased (made more negative) from time to time based on the change in Idaho Falls' SSDA balance since the start of the Fixed Flow operation. Such adjustment shall be calculated each day as described below and shall be applicable on the 2<sup>nd</sup> day following such calculation, as follows:

**Formula 1**

$$\text{UpAdj}_1 = \text{Greater of 0 or } [(SSDA_{I-2} - SSDA_0) * 24 - (SSP * K)]$$

**Formula 2**

$$\text{DownAdj}_1 = \text{Lesser of 0 or } [(SSDA_{I-2} - SSDA_0) * 24 + (SSP * K)]$$

Where:

**UpAdj<sub>i</sub>** is the amount of additional Pondage Up which Idaho Falls shall have a right to utilize on day I.

**DownAdj<sub>i</sub>** is the amount of additional Pondage Down which Idaho Falls shall have a right to utilize on day I.

**SSDA<sub>1-2</sub>** is Idaho Falls' SSDA on the day 2 calendar days prior to day I.

**SSDA<sub>0</sub>** is Idaho Falls' **SSDA** on the last day prior to the start of Fixed Flow operation.

**SSP** is Idaho Falls' Slice Percentage.

**K** is a constant equal to 50,000 MWh. 50,000 MWh was selected as a reasonable deadband for accumulated changes in SSDA and is subject to change upon the mutual agreement of BPA and Idaho Falls.

4. **FORECASTED SLICE OUTPUT CALCULATION, POWER SERVICES REAL-TIME ADJUSTMENTS, ELECTIVE SPILL DECLARATION, AND RAMP RATE CALCULATIONS**

The following procedures shall be used in determining Idaho Falls' minimum and maximum available Slice Output on a daily and hourly basis.

4(a) **Calculating the ESSG**

To determine the ESSG, Power Services shall calculate for each project in the Slice System such project's generation in terms of MW. When calculating the generation of such a project, Power Services shall estimate the energy that could be produced with those generating units that are planned to be available for such period while observing all applicable Operating Constraints. Power Services shall calculate the ESSG by adding the generation of all projects included in the Slice System and adjusting for any forecasted System Obligations.

4(b) **Projects With a Fixed Operation**

There are several Slice System projects whose operation is typically governed by non-power requirements and, as such, their operation will not typically be altered for power purposes. These projects are listed in Table 3.1 of the TRM under the headings "Independent Hydro Projects" and in Table 3.2 of the TRM under the heading "Designated Non-Federally Owned Resources".

4(c) **12-Month Forecast of Slice Output Energy**

BPA shall provide Idaho Falls the results of a 12-month forecast as set forth in section 8.4 of Exhibit N, except BPA shall provide data associated with the



appropriate corresponding terms defined in this Exhibit O rather than data associate with the terms Simulator Project, Snake Complex, BOS, and PSB as defined in Exhibit M.

4(d) **90-Day Forecast of Slice Output Energy**

BPA shall provide Idaho Falls the results of a 90-day forecast as set forth in section 7.2 of Exhibit N, except BPA shall provide data associated with the appropriate corresponding terms defined in this Exhibit O rather than data associate with the terms Simulator Project, Snake Complex, BOS, and PSB as defined in Exhibit M.

4(e) **Calculating the Maximum and Minimum Daily ESSG**

Beginning on September 30, 2011, and on each Business Day thereafter for as long as this exhibit is in effect, Power Services shall provide Idaho Falls with a forecast of the maximum and minimum ESSG for the total of all hours, the maximum ESSG for the total of the TOP HLHs, and the minimum ESSG for the total of the TOP LLHs of each day, for the upcoming preschedule day and the following six consecutive days.

In determining such maximum and minimum daily ESSG, Power Services shall perform two hydroregulation studies, one operating Grand Coulee as needed to achieve the maximum flow constraint in effect, and one operating Grand Coulee as needed to achieve the minimum flow constraint in effect. For such studies, Power Services shall initialize the starting reservoir Storage Contents to the previous day's actual elevations. Power Services shall incorporate forecasted probable regulated inflows for each project, forecasted unit outages, and all applicable Operating Constraints. For such studies, Power Services shall reflect the expected project operation of the LSN Complex, Hungry Horse, Libby, Dworshak and all non-federal projects. Power Services shall reflect a pass inflow operation of LCOL Complex to the extent allowed by such projects' Operating Constraints.

During periods of Fixed Flow operations, Power Services will compute the accumulated energy difference, in MWh, between each day's last official maximum and minimum daily ESSG, and that day's ANSSG with no adjustment for actual use of Pondage. On the first Business Day of each week, if the absolute value of the previous day's accumulated difference exceeds 15,000 MWh, Power Services will make an adjustment to the maximum and minimum daily ESSG values for the following day and each subsequent day through the following Sunday. Such daily adjustment shall be no greater than the accumulated deviation divided by the number of days over which the adjustment will be effective.

4(f) **Calculating the Daily ESSG Assuming a Pass-Inflow Operation**

Beginning on September 30, 2011, and on each Business Day thereafter as long as this exhibit is in effect, Power Services shall provide Idaho Falls with a forecast of the daily ESSG assuming a pass inflow operation for the upcoming preschedule day and the following six consecutive days. To calculate this value, Power Services shall determine the daily ESSG based on

the expected operation of the Slice System as adjusted by the Storage Energy associated with the daily change in Storage Content expected to occur at the Dispatchable Projects. Parties agree that the foregoing study does not reflect then-current Federal Operating Decisions and Operating Constraints, and will not accurately reflect Slice Output Energy actually available.

4(g) **Calculating the Hourly Maximum ESSG**

Power Services shall calculate the hourly maximum ESSG separately for the LSN Complex and for the rest of the Slice System. For such maximums, Power Services shall sum the maximum hourly generation of the Slice System projects in each of the two groups above. The maximum hourly generation for each project shall be the lesser of the capability of the generating units that are available for service on that hour or the maximum generation allowed consistent with Operating Constraints.

Power Services shall also separately calculate for the LSN and for the rest of the Slice System, the maximum ESSG that can be produced over the TOP HLH in MWh, consistent with Operating Constraints. The LSN maximum generation for TOP HLH is that generation in excess of the minimum generation for the LSN on TOP HLH.

4(h) **Calculating the Hourly Absolute Minimum ESSG**

The hourly Absolute Minimum ESSG reflects the least amount of generation that the Slice System can produce in any hour, without causing Elective Spill. To determine the hourly Absolute Minimum ESSG, Power Services shall calculate the ESSG that would result from a minimum flow operation, while observing all Operating Constraints.

4(i) **Adjustments By Power Services**

On an hourly basis, Power Services shall monitor the Slice System and communicate to Idaho Falls changes in the hourly and daily Slice Output Limits for the current day. Changes to the Slice Output Limits for the next day(s) may be communicated to Idaho Falls at a later time, but shall be communicated as soon as practicable. Idaho Falls shall make adjustments to its schedules to stay within such limits. No modifications to schedules that begin within 60 minutes from the notification by Power Services of such adjustment will be necessary. Power Services shall have the authority to make any such changes based on the conditions listed below.

4(i)(1) **Corrections of Errors, Omissions, or Assumptions**

Estimates of daily maximum ESSG, the hourly maximum ESSG, and Absolute Minimum ESSG may be adjusted in real-time by Power Services to reflect corrections of errors, omissions, or changes in the assumptions used to calculate the Slice System capability.

4(i)(2) **Changes in Federal Operating Decisions**

Power Services may adjust information and Slice Output Limits previously provided by Power Services to reflect new Federal Operating Decisions, the termination or suspension of a Federal

Operating Decision already reflected in the estimates, or if Power Services determines that the Slice Output Limits do not accurately reflect the actual Slice System operation on the current day.

**4(i)(3) Notification of Elective Spill**

Power Services shall notify Idaho Falls of Elective Spill for TOP HLH and/or TOP LLH as soon as practicable after Power Services determines that it is at risk of having Elective Spill. Such notice shall include a revised TOP LLH Minimum ESSG, which will be updated to reflect operating conditions of the Slice System. If the System is declared to be in an Elective Spill condition for TOP HLH during periods of Fixed Flow operations, Power Services may not declare the system to be out of Elective Spill condition unless such declaration is made prior to the start of the actual day for which the declaration was made; *provided, however*, during a period of Elective Spill in TOP HLH the hourly maximum generation pursuant to section 4(g) may be reduced if necessary to cause a reduction in system generation as directed by another federal agency. Failure by BPA to notify Idaho Falls of Elective Spill conditions shall not protect Idaho Falls from Elective Spill allocation per section 7(g) below.

**4(i)(4) Changes in the Hourly or Daily Slice System Capability**

Power Services shall revise the estimates of daily maximum ESSG, the hourly maximum ESSG, or Absolute Minimum ESSG when there is a change on the Slice System that exceeds either 500 MW on any remaining hour or 200 aMW for the remaining hours of the day.

**4(j) Calculation of Maximum Ramp Rates**

**4(j)(1) Ramp Rate Up**

The Ramp Rate Up equals:

$$MRR + NDG_N - NDG_{N-1}$$

Where:

MRR = the maximum rate of increase in generation for the Dispatchable Projects between 2 hours.

$NDG_N/NDG_{N-1}$  = The generation from the Non-Dispatchable Projects and the sum of the System Obligations for the schedule hour N and schedule hour N-1.

Idaho Falls' increase in schedules between two hours shall be computed as:

$$[RG_N - RG_{N-1}]$$

Where:

$RG_N/RG_{N-1}$  = The lesser of the hourly maximum generation times the SSP, or Idaho Falls' requested generation for schedule hour N and schedule hour N-1.

If Idaho Falls submits schedules such that the increase calculated in accordance with the immediately preceding formula exceeds the product of Idaho Falls' Slice Percentage and the Ramp Rate Up, such exceedence will be subject to the UAI Charge for energy, and such exceedence amount will be subtracted from Idaho Falls' daily ASOE for purposes of computing the daily Pondage and SSDA balances.

**4(j)(2) Ramp Rate Down**

Ramp Rate Down is the maximum rate of decrease in generation for the Dispatchable Projects over any three consecutive schedule hours. The Ramp Rate Down limit is calculated as both a limit to the amount of decrease in generation over any two consecutive hours and the decrease in generation over any three consecutive schedule hours.

***One-Hour Test***

The Ramp Rate Down limit between two consecutive hours, N-1 and N is the greater of:

4(j)(2)(i)  $C * SSP$ , or

4(j)(2)(ii)  $B * (RG_{N-1} - HM_N)$

***Two-Hour Test***

The Ramp Rate Down limit between two hours, N-2 and N is the sum of:

4(j)(2)(i) The greater of  $[(SSP * C)$  or  $(A * (RG_{N-2} - HM_{N-1}))]$ , and

4(j)(2)(ii) The greater of  $\{(SSP * C)$  or  $A * (RG_{N-2} - \text{the greater of } [(SSP * C)$  or  $(A * (RG_{N-2} - HM_{N-1}) - HM_N)]\}$

In no event shall the results of the two-hour test cause a limit that would be less than  $C * SSP$  for any two consecutive hours.

Where:

$A = 0.4$

$B = 0.5$

$C$  = The minimum hourly down ramp limit for the Slice System, set for 1,000 megawatts on all hours

SSP = Idaho Falls' Slice Percentage

$RG_N/RG_{N-2}$  = The greater of the Absolute Minimum ESSG times the SSP for hour N, or Idaho Falls' requested generation for schedule hour N and schedule hour N-2

$HM_N/HM_{N-2}$  = Absolute Minimum ESSG for schedule hour N and schedule hour N-2, multiplied by Idaho Falls' Slice Percentage.

The following formula shall be used to determine Idaho Falls' actual ramp down across any two hours:

$$[(RG_N - SSP * (NDG_N + SO_N)) - (RG_{N-x} - SSP * (NDG_{N-x} + SO_{N-x}))]$$

Where:

$RG_{N-x}$  = The greater of the Absolute Minimum ESSG times the SSP, or the scheduled generation for the schedule hour X hours prior to hour N

SSP = Idaho Falls' Slice Percentage

$NDG_{N-x}$  = The Slice System generation from the Non-Dispatchable Projects for the schedule hour X hours prior to hour N

$SO_{N-x}$  = The System Obligations for the schedule hour X hours prior to hour N

X shall be set to the value one for calculating Idaho Falls' schedule decrease for the 1-hour Ramp Rate Down test and shall be set to the value two for the 2-hour Ramp Rate Down test.

If Idaho Falls submits a schedule which results in the delivery of energy such that the decrease calculated in accordance with the preceding paragraph exceeds the Ramp Rate Down limit as determined for either the 1-hour test or 2-hour test as specified above, such exceedence will be subject to transfer from Idaho Falls' SSDA, consistent with the provisions of section 2(h) of this Exhibit O. In the event that an exceedence of both the 1-hour test and 2-hour test occurs across the same delivery hour, the greater of the two amounts shall be so transferred, and such exceedence amount will be added to Idaho Falls' daily ASOE for purposes of computing the daily Pondage and SSDA balances.

4(k) This section intentionally left blank.

**5. CALCULATING ACTUAL SLICE OUTPUT**

The following procedures shall be used in determining the actual quantities of Slice Output.

**5(a) Calculation of Actual SSSE and Slice Storage Account Balance**  
Beginning October 2, 2011, and on each day thereafter as long as this Exhibit O is in effect, Power Services shall calculate and provide Idaho Falls with the SSSE and Idaho Falls' Slice Storage Account balance for the previous day, as measured in MW-days. Power Services shall calculate such SSSE based on the actual reservoir Storage Contents, as measured at midnight for the previous day. To determine Idaho Falls' Slice Storage Account balance, Power Services shall sum the product of the SSSE and Idaho Falls' Slice Percentage with Idaho Falls' Slice Storage Deviation Account (SSDA) balance as of midnight the same day, as determined in section 7(d).

**5(b) Calculation of ANSSG and ASOE**  
Beginning October 2, 2011, and on each day thereafter as long as this Exhibit O is in effect, Power Services shall calculate and provide Idaho Falls with a daily accounting of the ANSSG produced on the previous day, as measured in MWh. Power Services shall calculate such ANSSG in the same manner as the ESSG but using: (1) actual project generation instead of forecasted generation, and (2) actual System Obligations instead of forecasted System Obligations, as adjusted by (3) the gross Elective Spill pursuant to section 7(g).

To determine Idaho Falls' daily individual ASOE, Power Services shall sum for each hour of the day, the greater of Idaho Falls' scheduled Slice Output Energy and Idaho Falls' individual Absolute Minimum ESSG. In the event that Idaho Falls' daily individual ASOE is less than the minimum individual Slice Output Limit for such day, as adjusted by Idaho Falls' available Pond Down, Idaho Falls' daily individual ASOE shall be deemed to be equal to the minimum individual Slice Output Limit for such day, as adjusted by Idaho Falls' available Pond Down. The difference between Idaho Falls' daily individual ASOE and the sum of Idaho Falls' scheduled Slice Output Energy for all hours of such day shall be forfeited and transferred from Idaho Falls' SSDA.

**6. GRACE MARGIN**

**6(a) General**

It is anticipated that Idaho Falls' Slice Storage Account balance may not always be within its individual SSSB. Such deviation could be due to potential forecast or accounting errors on Power Services's part or errors on Idaho Falls' part. A Grace Margin will be provided to mitigate any penalty. The Grace Margin is both added to the maximum storage bounds and subtracted from the minimum storage bounds. The Grace Margin is applied on an after-the-fact basis only. If the Slice System is in Fixed Flow, the UAI Charge will not be applied for being below the minimum storage bounds, nor

will the forfeiture of energy for being above the maximum storage bounds be applied, as set forth in section 6(e). It is recognized that unusual events may require Idaho Falls and Power Services to institute by mutual oral or written agreement special actions with regard to the Grace Margin.

If, as of the last day of Fixed Flow, when the Slice System is transitioning to a period of operating within maximum and minimum storage bounds, Idaho Falls' SSA balance exceeds its individual SSSB, Idaho Falls shall have up to 7 days (or longer if allowed in section 6(e)) beginning on the day that such transition was commenced to bring its SSA balance within its individual SSSB by utilizing the procedure described in section 6(e) without penalty or charge. If, within such 7-day period, Idaho Falls brings its SSA balance within its individual SSSB, the provisions described in section 6(e) shall become effective beginning on the day such compliance was achieved. If, within or by the end of such 7-day period, Idaho Falls fails to bring its SSA balance within its individual SSSB, Idaho Falls shall be subject to the penalties described in this section 6 for any amount its SSA balance remains outside the SSSB at the end of such 7-day period (or longer period if allowed in section 6(e)).

**6(b) Calculation of Grace Margin**

To determine Idaho Falls' Grace Margin, Power Services shall calculate the greater of:

6(b)(1) The product of 17,300 MWh and Idaho Falls' Slice Percentage, or

6(b)(2) The value equal to the difference between the forecast and actual daily ESSG assuming a pass-inflow operation on that day, multiplied by Idaho Falls' Slice Percentage.

**6(c) Calculation of SSSB Exceedence**

Power Services shall determine the exceedence of Idaho Falls' Slice Storage Account relative to Idaho Falls' individual SSSB, by using Formula 3. Power Services shall also determine the quantity of Idaho Falls' SSDA that is subject to forfeiture and transfer out of its SSA, if any, using Formula 4, and the quantity of energy subject to the Unauthorized Increase Charge for energy, if any, by using Formula 5.

**Formula 3**

$$E = (\text{Greater of } 0 \text{ or } (SSSE_I - uSSSB)) + (\text{Lesser of } 0 \text{ or } (SSSE_I - ISSSB))$$

Where:

E is the amount by which Idaho Falls' SSSE exceeds the Slice System Storage Bounds in MW-days.

SSSE<sub>I</sub> is Idaho Falls' Slice Storage Account balance as measured in MW-days.

**uSSSB** is Idaho Falls' individual upper Slice System Storage Bound as measured in MW-days.

**ISSSB** is Idaho Falls' individual lower Slice System Storage Bound as measured in MW-days.

**Formula 4**

**gmSPILL** = Greater of {0, or the Lesser of [(0.99\*DmaxGen - ASOE/24), or (E - GM<sub>I</sub>)]}

Where:

**E** is Idaho Falls' exceedence calculated in Formula 3 above in MW-days.

**gmSPILL** is the amount of Idaho Falls' exceedence that is considered to be spilled as measured in MW-days.

**GM<sub>I</sub>** is Idaho Falls' individual Grace Margin as measured in MW-days.

**DmaxGen** is the maximum daily ESSG multiplied by Idaho Falls' Slice Percentage as measured in MW-days.

**Formula 5**

**gmUAI** = Absolute value of {Lesser of {0, or the Greater of [(ASOE/24 - 1.01\*DminGen), or (E + GM<sub>I</sub>)]} }

Where:

**E** is Idaho Falls' exceedence calculated in Formula 3 above in MW-days.

**gmUAI** is the amount of Idaho Falls' exceedence, measured in MW-days, that is considered to be subject to the UAI Charge for energy.

**GM<sub>I</sub>** is Idaho Falls' individual Grace Margin as measured in MW-days.

**DminGen** is the minimum daily ESSG multiplied by Idaho Falls' Slice Percentage as measured in MW-days.

**Formula 6**

[This formula has been intentionally left blank]



6(d) **Grace Margin Spill Account (GMSA)**

Power Services shall establish a GMSA that shall be initialized each day to zero and maintained in MW-days. Power Services shall calculate the GMSA pursuant to section 6(e)(3) and shall utilize the GMSA to calculate net Elective Spill pursuant to section 7(g)(2).

6(e) **Application of the Grace Margin**

Any time that gmSpill and gmUAI as calculated in Formulae 4 and 5 are greater than zero, the gmSpill or gmUAI must be eliminated by Idaho Falls. Idaho Falls shall take the action(s) described below to return its Slice Storage Account balance to a condition that is within its Grace Margin to avoid the penalties below. If Idaho Falls' exceedance as calculated in Formula 3 is greater than zero at a time when Grand Coulee's ORC is 1,290.0 feet, then Idaho Falls shall take the actions specified in section 6(e)(2) by the day following the day on which Idaho Falls is notified of such exceedance. In all other instances where Idaho Falls' exceedance as calculated in Formula 3 above is not zero, Idaho Falls shall take such actions by the third day following the day of notification. The day of notification shall be the day Idaho Falls receives the ANSSG that applies to the day on which the exceedance occurs.

6(e)(1) This section intentionally left blank.

6(e)(2) Idaho Falls shall adjust its ASOE in compliance with one of the following two requirements:

6(e)(2)(A) Idaho Falls' exceedance as calculated in Formula 4 and 5 shall be reduced to zero; or

6(e)(2)(B) If Slice Output Limits prevent Idaho Falls from making such adjustment, then Idaho Falls shall continue to schedule its Slice Output Energy within 1 percent below the daily maximum or 1 percent above the daily minimum Slice Output Limit, without being required to utilize Pondage, for as many days as necessary to eliminate such exceedance.

If Idaho Falls fails to schedule its ASOE or make a SSDA transfer as specified in section 6(e)(2), such exceedance, if positive, will be treated as gmSPILL pursuant to section 6(e)(3); if negative, such amount shall be treated as gmUAI pursuant to section 6(e)(4).

Idaho Falls may elect to schedule its ASOE in a manner to reduce the exceedance amount to zero prior to the day following the day of notification, or the third day following the day of notification, as described in section 6(e). If Idaho Falls does so, Idaho Falls shall not be required to adjust its ASOE as specified in this section 6(e)(2).

6(e)(3) **Applied gmSpill and the Grace Margin Spill Account**

Power Services shall decrease Idaho Falls' SSDA by the amount of gmSPILL calculated in Formula 4 above that is applied pursuant to sections 6(e) and 6(e)(2). In addition, Power Services shall add such amounts to the GMSA, which shall represent the sum of all Slice purchasers' applied gmSPILL for each day.

6(e)(4) **Unauthorized Increase Charge for Applied gmUAI**

Power Services shall charge Idaho Falls for the amount of gmUAI calculated in Formula 5 above that is applied pursuant to sections 6(e), and 6(e)(2) at the UAI Charge for energy. In addition, Power Services shall increase Idaho Falls' SSDA by the amount of gmUAI for which such a charge is assessed.

7. **SLICE PARTICIPANT'S DAILY SLICE STORAGE DEVIATION ACCOUNT (SSDA) BALANCE, ALLOCATION OF ELECTIVE SPILL, AND PONDAGE ACCOUNT BALANCE**

Power Services shall establish and maintain an accounting of the daily SSSE based upon the Slice System reservoirs' actual Storage Contents (actual SSSE). Power Services shall establish and maintain an accounting of the daily deviation of Slice Storage (SSDA) for Idaho Falls as specified below. Power Services shall measure or calculate such account balances in MW-days as of midnight each day. For purposes of section 6 and this section 7, the SSDA shall only be computed as a daily storage balance and shall not be computed as an hourly estimate of Idaho Falls' SSDA balances. Idaho Falls shall utilize its SSDA as an indicator of its proximity to its individual SSSB and shall adjust its request of Slice Output Energy as needed to stay within such storage bounds. If Idaho Falls' Slice Storage Account balance is outside of its individual SSSB, the Grace Margin rules in section 6 shall apply.

7(a) This section intentionally left blank.

7(b) **Initial Balances**

Power Services shall initialize the September 30, 2011, actual SSSE to the SSSE associated with the actual elevations of the projects in the Slice System as of 2400 hours PPT on September 30, 2011. Power Services shall initialize Idaho Falls' September 30, 2011, SSDA balance to zero.

7(c) This section intentionally left blank.

7(d) **Daily Calculation of the SSDA Balance**

Beginning October 2, 2011, and on each day thereafter as long as this Exhibit O is in effect, Power Services shall calculate and provide Idaho Falls with daily account balances of Idaho Falls' dSSDA and SSDA for the previous day using Formulae 7 and 8.

**Formula 7**

$$SSDA_{-1} = SSDA_{-2} + dSSDA_{-1} - eSPILL_1$$

Where:

SSDA<sub>-1</sub> is the SSDA for day -1 as measured in MW-days.

SSDA<sub>-2</sub> is the SSDA for day -2 as measured in MW-days.

dSSDA<sub>-1</sub> is the change in the SSDA for day -1 calculated in Formula 8 below, in MW-days.

eSPILL<sub>1</sub> is Idaho Falls' allocated share of the net Elective Spill for the Slice System calculated in Formula 13 below, expressed in MW-days.

**Formula 8**

$$dSSDA_{-1} = [(SSP * ANSSG_{-1}) - ASOE_{-1}] / 24$$

Where:

dSSDA<sub>-1</sub> is the change in the SSDA for day -1 as measured in MW-days.

SSP is the Slice Percentage.

ANSSG<sub>-1</sub> is the ASSG for day -1 as measured in MWh.

ASOE<sub>-1</sub> is Idaho Falls' individual ASOE for day -1 as measured in MWh.

**7(e) Termination of the Interim Slice Implementation Procedures and Slice Participant's SSDA Balance**

BPA shall provide Idaho Falls notice that these Interim Slice Implementation Procedures shall terminate no less than five (5) days prior to the date of such termination. Any balance remaining in Idaho Falls' SSDA as of 2400 hours on the date these Interim Slice Implementation Procedures are terminated shall be transferred to Idaho Falls' BOS Deviation Account as the initial balance in that account.

**7(f) Procedures During Fixed Flow and Declared Elective Spill Condition for TOP HLH**

The procedures outlined in this subsection 7(f) shall be used when the Slice System is in a Fixed Flow state and Elective Spill is declared for TOP HLH.

**7(f)(1) Pondage Balance Calculation**

The daily change in Idaho Falls' Pondage Account balance, calculated pursuant to section 7(h), shall be zero regardless of the difference between Idaho Falls' generation schedule compared to its Slice Percentage of the daily maximum ESSG and daily minimum ESSG.

7(f)(2) **dSSDA Calculation**

The dSSDA as defined in section 7(d) of this exhibit shall be set to zero for each such calendar day.

7(f)(3) **Allocation of Expenses Associated with Elective Spill**

Expenses incurred by Power Services due to the delivery of Elective Spill energy will be allocated to Idaho Falls by multiplying the amount of such expenses incurred by Power Services on such day by Idaho Falls' Slice Percentage.

7(f)(4) **Daily Maximum ESSG**

Idaho Falls will have the right to exceed its share of daily maximum ESSG, as adjusted by Idaho Falls' available Pond Up.

7(f)(5) **TOP HLH Maximum ESSG for the Rest of the System**

Idaho Falls' will have the right to exceed its share of the TOP HLH maximum ESSG for the rest of the system, as adjusted by Idaho Falls' available Pondage Up.

7(f)(6) **One-Hour Maximum ESSG**

Idaho Falls' will not have the right to exceed its share of the one-hour maximum ESSG.

7(g) **Procedures Due to Elective Spill in Other Conditions**

The procedures outlined in this section 7(g) shall be used to calculate and allocate actual amounts of Elective Spill that occur when the Slice System is not in a Fixed Flow state or when the Slice System is in a Fixed Flow state and Elective Spill is declared only for TOP LLH.

7(g)(1) **General**

Power Services may need to reduce the actual Elective Spill by delivering energy as Immediate Spill Deliveries or by paying other parties to take energy that would otherwise be implemented as Elective Spill. Power Services shall increase the Elective Spill quantity by the amount of energy delivered under either of such arrangements, which total shall be known as the gross Elective Spill.

7(g)(2) **Calculation of Net Elective Spill**

The quantity of Elective Spill that occurs on the Slice System on any given day shall be reduced by the quantity in the GMSA to determine net Elective Spill for that day. Power Services shall use Formula 9 to calculate the net Elective Spill for the Slice System.

**Formula 9**

**eSPILL<sub>NET</sub> = Greater of 0 or (eSPILL<sub>GROSS</sub> - GMSA - HourlySpill)**

Where:

**eSPILL<sub>NET</sub>** is the net Elective Spill for the Slice System to be allocated to the Slice Purchasers in MW-days.

**eSPILL<sub>GROSS</sub>** is the gross Elective Spill for the Slice System in MW-days.

**GMSA** is the sum of all Slice purchaser's applied gmSpill as calculated in section 6(e)(3) in MW-days.

**HourlySpill** is the total amount of energy transferred from all Slice customers SSDAs pursuant to the second paragraph of section 2(h).

**7(g)(3) Allocation of Net Elective Spill**

As needed, Power Services shall calculate for Idaho Falls, all other Slice Customers, and Power Services, the net Elective Spill to be allocated to each Party, using Formulae 10, 11, and 12. When requested, Power Services shall make available to Idaho Falls the calculations and all data necessary to verify the calculation of the allocated net Elective Spill.

**Formula 10**

$$\text{llhMINGEN} = (\text{llhASSG}_{\text{ADO}} + \text{eSPILL}_{\text{NET}} * 24) / \text{TOP LLH}$$

Where:

**llhMINGEN** is the minimum TOP LLH Slice System generation needed to avoid Elective Spill for the day, expressed in average MW.

**llhASSG<sub>ADO</sub>** is the portion of the daily ASSG that was generated on TOP LLH, less the quantity of energy delivered as Immediate Spill Deliveries, and the energy for which Power Services paid other parties to take during such TOP LLH, expressed in MWh.

**eSPILL<sub>NET</sub>** is the net Elective Spill for the Slice System, to be allocated to the Slice Customers, as calculated in Formula 9 and expressed in MW-days.

**TOP LLH** is the number of TOP LLH in the day.

**Formula 11**

$$\text{llhADDGEN}_i = \text{the greater of} \\ ((\text{llhMINGEN} * \text{SSP}) - \text{llhASOE}_i / \text{TOP LLH}) \text{ or } 0$$

Where:

$llhADDGEN_i$  is Idaho Falls' additional individual ASOE that was needed on TOP LLH to avoid Elective Spill for the day, as expressed in average MW.

$llhMINGEN$  is the minimum TOP LLH Slice System generation needed to avoid Elective Spill for the day, calculated in Formula 10, expressed in average MW.

SSP is Idaho Falls' Slice Percentage.

$llhASOE_i$  is the portion of Idaho Falls' daily individual ASOE that was scheduled on TOP LLH, plus the energy associated with hourly spill penalties that occur on TOP LLH, as expressed in MWh.

TOP LLH is the number of TOP LLH in the day.

**Formula 12**

$$eSPILL_i = eSPILL_{NET} * llhADDGEN_i / llhADDGEN_{TOT}$$

Where:

$eSPILL_i$  is Idaho Falls' allocated share of the net Elective Spill for the Slice System, expressed in MW-days.

$eSPILL_{NET}$  is the net Elective Spill for the Slice System to be allocated to the Slice Customers, as determined in Formula 9, expressed in MW-days.

$llhADDGEN_i$  is Idaho Falls' minimum TOP LLH Slice System Generation needed to avoid Elective Spill for the day, as determined in Formula 11, expressed in average MW.

$llhADDGEN_{TOT}$  is the minimum TOP LLH Slice System generation needed to avoid Elective Spill for the day, as determined in Formula 11, summed for all Slice Customers, and expressed in average MW.

**7(h) Pondage Account and Daily/Weekly Use of Pondage**

Power Services shall establish and maintain daily accounting of the Pondage limits on the Slice System, calculated pursuant to section 3(c) of this Exhibit.

Power Services shall also establish and maintain an accounting of the daily use of Pondage for Idaho Falls as specified below. Power Services shall measure or calculate such account balances in whole megawatt-hours (MWh) as of midnight PPT each day.

7(h)(1) Idaho Falls' Pondage account will be calculated in daily energy quantities and shall be cumulative, with a negative balance indicating use of Pondage Up and a positive balance indicating use of Pondage Down. The account balance will be changed each day by the sum of the following items:

7(h)(1)(A) The energy amount by which Idaho Falls' ASOE exceeds the daily maximum ESSG shall be subtracted from Idaho Falls' Pondage account balance and the amount by which the ASOE is lower than the daily minimum ESSG shall be added to Idaho Falls' Pondage account balance.

7(h)(1)(B) If Idaho Falls' Pondage account balance for the prior day is positive, the account balance shall be decreased by the lesser of: (1) the amount of the Pondage account balance for the prior day, or (2) the amount that Idaho Falls' ASOE is greater than the daily minimum ESSG, limited by the daily maximum ESSG.

7(h)(1)(C) If Idaho Falls' Pondage account balance for the prior day is negative, the account balance shall be increased by the lesser of: (1) the amount of the Pondage account balance for the prior day, or (2) the amount that Idaho Falls' ASOE is lower than the daily maximum ESSG, limited by the daily minimum ESSG.

7(h)(1)(D) If Idaho Falls has specified amounts in addition to those calculated automatically by Power Services for the Pondage account balance to be used for Pondage operations, including taking and returning of energy from the Pondage account, then Power Services shall include such amounts in the calculation.

7(h)(2) If Idaho Falls schedules ASOE such that its Pondage account balance does not exceed, in a positive amount, its Slice Percentage times the Pondage Down limit (note: a negative number), and does not exceed in a negative amount, its Slice Percentage times the Pondage Up limit (note: a positive number), no penalty for Pondage shall be applied. If Idaho Falls' Pondage account balance exceeds either limit, the energy amount in excess of the limit will be assessed as gmSpill or gmUAI as appropriate, *provided however*, that if the Pondage limits become smaller, Idaho Falls shall not be obligated to reduce the balance in order to comply with the limit and shall not be assessed gmSpill or gmUAI for that amount. However, any subsequent increases in Idaho Falls' Pondage account balance while its balance exceeds the reduced limit will be subject to gmSpill or gmUAI as appropriate.

7(h)(3) During periods when protection level flows are in effect at Priest Rapids Dam pursuant to the Hanford Reach Fall Chinook Protection Program Agreement as it then exists, Idaho Falls shall schedule ASOE such that Idaho Falls' Pondage account balance is within its share of the Pondage Down limit by midnight of each Wednesday.

7(i) This section intentionally left blank

8. THIS SECTION INTENTIONALLY LEFT BLANK

9. DATA AND INFORMATION PROVIDED BY POWER SERVICES

9(a) **Slice System Estimates Provided Each Business Day By Power Services**

Power Services shall provide to Idaho Falls no later than 1630 hours PPT on each Business Day the estimates specified in sections 9(a)(1) through 9(a)(13) for the day or days for which preschedules shall be established on the next Business Day in accordance with the WECC Preschedule Calendar, pursuant to section 2 of Exhibit F. All estimates will be provided net of expected Operating Constraints and in MWh except where noted. Power Services does not guarantee or assume any particular or specific result from use by Idaho Falls of these estimates and any of the information provided.

9(a)(1) **One-Hour Maximum ESSG**

This estimate represents the maximum Slice System generation that can be produced for 1 hour. The ESSG shall be separated into the following two categories:

9(a)(1)(A) the LSN maximum generation for an hour that is in excess of the hourly minimum generation for the LSN for such hour; and

9(a)(1)(B) the rest of the Slice System.

9(a)(2) **TOP HLH Maximum ESSG**

This estimate represents the portion of the maximum ESSG that can be produced over the TOP HLH for:

9(a)(2)(A) the LSN, and

9(a)(2)(B) the rest of the Slice System.

9(a)(3) **Absolute Minimum ESSG**

This estimate reflects the Absolute Minimum ESSG that can be produced during any hour without causing Elective Spill.

9(a)(4) **TOP LLH Minimum ESSG**

This estimate is the amount of Slice System generation that needs to be produced over the TOP LLH to minimize the potential of Elective



Spill given expected system conditions. This estimate is not a limit, and there is also no guarantee or assurance by Power Services that in providing this estimate, a Slice Output Energy request at that level will not incur some amount of Elective Spill.

**9(a)(5) Daily Maximum and Minimum ESSG**

This estimate represents the maximum and minimum amount of Slice System generation that can be produced for the day, without utilizing available Pondage.

**9(a)(6) Fixed Project Generation Schedules**

This estimate represents the hourly expected generation from the projects described in section 4(b).

**9(a)(7) Maximum Hourly Ramp Rates**

The estimate for the maximum hourly Ramp Rates, in MW, for increasing and decreasing Slice System generation will be calculated using the methodology in section 4(j).

**9(a)(8) Maximum and Minimum Storage Bounds**

This estimate will provide the SSSB in MW-days for the preschedule day and the following 6 days.

**9(a)(9) ESSG Pass-Inflow Forecast**

This is the theoretical ESSG, assuming a modified inflow operation, as discussed in section 4(f). This will provide Idaho Falls with an estimated amount of Slice Output Energy to schedule in order to maintain its SSA balance from day to day.

**9(a)(10) Planned Unit Outages**

Under normal operating conditions, this will include planned unit outages of at least 500 MW for all Slice System projects for the next preschedule day and the following 6 days and will be provided during the daily conference call described in section 7.5 of Exhibit N. Power Services will provide more detailed planned unit outage information during times of severe weather events or anticipated regional power shortages. The outage information provided will be in terms of megawatts of capacity out of service for the Slice System.

**9(a)(11) Six-Day TOP HLH and TOP LLH Maximum and Minimum Generation**

This estimate will include a forecast of the maximum and minimum Estimated Slice System Generation expected to occur on TOP LLH and on TOP HLH, given unit availability and Operating Constraints for the 6 days after the day to be prescheduled.

**9(a)(12) Pondage Up and Pondage Down Available on the Slice System**

This estimate shall represent the cumulative amount of Pondage Up and Pondage Down available on the Slice System for the next preschedule day.

**9(a)(13) State of the Slice System**

Power Services shall provide to Idaho Falls an indication of the expected state of the Slice System for the preschedule day(s). Such indication shall be that the Slice System is in a storage energy state unless there is a specific weekly or daily flow requirement on one of the LCOL projects, or the difference between the uSSSB and the lSSSB would be approximately the same as the potential size of the inflow forecast error. Power Services and Idaho Falls shall review and evaluate the selection of the system state with the operations subcommittee throughout the Operating Year on a case-by-case basis in order to coordinate and plan the timing and transition between Slice System states.

If Power Services declares that the Slice System is operating in a Fixed Flow state, and emergency provisions are enacted through the Northwest Power Pool Emergency Response Team ("NWPP ERT"), the Slice System will transition from a Fixed Flow state to an interim storage energy state. During the period that the NWPP ERT declares an emergency, there will be no assessment by Power Services for gmSpill or gmUAI. The maximum daily ESSG will be determined using the increased right to generation on the system, while the minimum daily ESSG will continue to reflect the system minimum discharge requirements.

Upon suspension of emergency provisions enacted by the NWPP ERT and as appropriate, the Slice System will return to the Fixed Flow state, with the maximum daily ESSG and the minimum daily ESSG set at the same value each day. For purposes of section 3(c)(3) of Exhibit O, the SSDA balance as the last day of the interim storage energy state will be the SSDA<sub>0</sub> that Idaho Falls may use to adjust its Pondage rights for the duration of the subsequent Fixed Flow period.

Power Services shall also declare whether there is an expectation of Elective Spill during TOP LLH and/or Elective Spill during TOP HLH.

**9(b) Operating Constraints**

Power Services shall provide to Idaho Falls changes to current Operating Constraints and the imposition of new Operating Constraints, as they become known to Power Services, which could impact the current and future generating capability of the Slice System. The Operating Constraints may be listed in terms of discharge, energy, or any other unit that is appropriate to convey the constraint.

9(c) **Slice System Actual Information Provided By Power Services**  
Power Services shall provide Idaho Falls with the following information at the times specified. In the event that actual information is not available, Power Services shall substitute its best available estimate of such information for such missing data and indicate to Idaho Falls that the data is based on best available information. Idaho Falls shall accept such estimates and the risk of reliance upon such estimates:

9(c)(1) SSSE, SSDA, and the Grand Coulee elevation as of midnight the previous day, as well as the ANSSG for the previous day, assuming no Elective Spill for such calculations, by 0800 hours PPT each day, and

9(c)(2) Idaho Falls' allocation of Elective Spill, by 1200 hours PPT each Business Day.

9(d) This section intentionally left blank

9(e) This section intentionally left blank

## 10. WEEKLY CONSTRAINTS

### 10(a) General

Some Operating Constraints are expressed in terms of Weekly Constraints. If a Weekly Constraint is in effect, Power Services shall provide Idaho Falls with information pursuant to this subsection. To the extent that Power Services is provided with an error margin for the Weekly Constraint with regard to any Operating Constraints, either before or after the fact, Idaho Falls will be entitled to its Slice Percentage share of such error margin in any computation or accounting in this Exhibit O.

### 10(b) Real-Time Changes

If the nature and/or duration of the flow requirements associated with the Weekly Constraints described above change, Power Services shall provide Idaho Falls with the necessary data for operating, consistent with such revised Weekly Constraints. Power Services shall provide to Idaho Falls such data necessary to calculate the operational limits applicable to Idaho Falls. Idaho Falls shall adjust its operation for the remainder of the week to conform to the revised Weekly Constraint.

11. THIS SECTION INTENTIONALLY LEFT BLANK

12. THIS SECTION INTENTIONALLY LEFT BLANK

## 13. SCHEDULING REQUIREMENTS

Idaho Falls shall schedule its Slice Output Energy in accordance with this section 13 and all sections of Exhibit F, except sections 3.2, 3.4.1, and 4.1.

13(a) **Prescheduling**

Schedules submitted after the Power Services prescheduling timeframe set forth in section 2.1 of Exhibit F will be accepted on a best efforts basis up to the time that the preschedule checkout process has been completed for that preschedule day by Power Services.

13(b) This section intentionally left blank.

13(c) **Scheduling Energy by Resource Groups**

Idaho Falls shall separately distribute its request for energy between the LSN and the rest of the Slice System. Idaho Falls' request for hourly energy from each resource group shall observe the limits for hourly maximum generation, maximum generation over the TOP HLH, and the hourly rate of change for such resource groups. Such hourly values will then be combined to be Idaho Falls' request for hourly energy.

13(d) **Preschedule Limits**

Preschedules submitted by Idaho Falls shall comply with all applicable requirements as set forth in this Exhibit O.

14. **REVISIONS**

Not less than 30 days prior to implementing this Exhibit O, BPA and Idaho Falls shall review and revise, if necessary, the provisions herein using the procedures set forth in section 5.12 of the body of this Agreement.

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**Exhibit P**  
**SLICE COMPUTER APPLICATION DEVELOPMENT SCHEDULE**

**1. SLICE COMPUTER APPLICATION DEVELOPMENT SCHEDULE**

The Following table represents milestones and the associated dates by which BPA intends to meet those milestones during development of the Slice Computer Application.

Milestone Description	Date
Publish SCA Requirements Document	1/30/2009
Project kick-off with Slice Customers	2/3/2009
Review of SCA Requirements Document Complete	3/2/2009
Publish Simulator Requirements Document	6/1/2009
Publish BOS and Reporting module Requirements Document	8/1/2009
Publish Customer Facing Web Service Design Specification	10/1/2009
Begin Prototype Simulator Testing	4/1/2010
Publish Draft Simulator Specification	6/1/2010
"Performance Test Ready" version of Simulator Complete	8/1/2010
Performance Test Complete	10/31/2010
Publish Simulator Specification	1/15/2011
Begin Customer application integration testing with Customer facing Web Service	1/15/2011
Publish Functionality Test Procedures	4/15/2011
Functionality Test Complete	7/1/2011
Begin Customer Training and Testing of SCA	7/1/2011
SCA "Go-Live"	10/1/2011

**2. REVISIONS**

The timelines represented in the table above are non-binding, pursuant to section 5.11 of the body of this Agreement, and are subject to change. BPA shall revise this Exhibit P as needed to reflect significant changes.

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**Exhibit Q**  
**DETERMINATION OF INITIAL SLICE PERCENTAGE**

**1. DEFINITIONS**

The following definitions apply only to this Exhibit Q.

- 1.1 "Additional Slice Amount" means the additional portion of the Base Critical Slice Amount that Idaho Falls elects to purchase from BPA as determined in section 3 of this exhibit, rounded to a 5 digit decimal annual aMW value.
- 1.2 "Base Tier 1 System Capability" means Tier 1 System Capability that is deemed equal to 7,400 aMW.
- 1.3 "Base Critical Slice Amount" means 2,000 annual aMW, which represents the Base Slice Percentage multiplied by the Base Tier 1 System Capability.
- 1.4 "Base Slice Percentage" means 27.027 percent.
- 1.5 "Combined Maximum Additional Slice Amount" means the sum of all of the Maximum Additional Slice Amounts of those Eligible Slice Customers that have notified BPA, in accordance with section 3.2 of this exhibit, of their elections to participate in the allocation of Unsold Slice Amount under section 3.3 of this exhibit.
- 1.6 "Eligible Slice Customers" means those Initial Slice Customers whose Maximum Additional Slice Amount is equal to or greater than one aMW.
- 1.7 "Initial Slice Customers" means those Slice Customers that hold an executed Slice/Block Power Sales Agreement as of January 1, 2011.
- 1.8 "Maximum Additional Slice Amount" means the maximum additional portion of the Base Critical Slice Amount that Idaho Falls may elect to purchase from BPA, as determined in section 3.1 of this exhibit, rounded to an integer annual aMW value.
- 1.9 "Maximum Slice Amount" means the maximum portion of the Base Critical Slice Amount that Idaho Falls may request from BPA as part of the Initial Slice Percentage computation, and is equal to Idaho Falls' Slice Percentage Determination Requirements Load multiplied by 0.7, expressed as an integer annual aMW value. Idaho Falls' Maximum Slice Amount is: 56.6 aMW
- 1.10 "Preliminary Slice Amount" means the integer annual aMW value that is equal to Idaho Falls' Preliminary Slice Percentage, as set forth in Exhibit J section 1, multiplied by the Base Tier 1 System Capability.
- 1.11 "Slice Percentage Determination Requirements Load" means a forecast amount of Idaho Falls' requirements load that is used only in the determination of Idaho Falls' Preliminary Slice Percentage and Initial Slice

Percentage. Idaho Falls' Slice Percentage Determination Requirements Load is: 80.9 aMW.

1.12 "Unsold Slice Amount" means that portion of the Base Critical Slice Amount that remains unsold, as computed in section 2.2 of this exhibit, rounded to an integer annual aMW value.

1.13 "Unsold Slice Percentage" means the percentage, if any, determined pursuant section 2.1 of this exhibit, expressed as a three decimal digit percentage.

## 2. DETERMINATION OF UNSOLD SLICE AMOUNT

No later than January 30, 2011, BPA shall determine the Unsold Slice Amount, using the procedure below.

### 2.1 Compute Unsold Slice Percentage

The Unsold Slice Percentage shall be equal to: (1) the Base Slice Percentage minus (2) the sum of the Preliminary Slice Percentages for all Initial Slice Customers.

### 2.2 Compute Unsold Slice Amount

The Unsold Slice Amount shall be equal to the Base Tier 1 System Capability multiplied by the Unsold Slice Percentage, expressed as an integer aMW value.

### 2.3 Unsold Slice Amount Less Than One aMW

If the Unsold Slice Amount is less than one aMW, then BPA shall notify Idaho Falls no later than January 30, 2011, that there shall be no allocation of the Unsold Slice Amount and that Idaho Falls' Initial Slice Percentage shall be as determined pursuant to section 4.1 of this exhibit.

### 2.4 Unsold Slice Amount Equal To or Greater Than One aMW

If the Unsold Slice Amount is equal to or greater than one aMW, then BPA shall provide written notice to Idaho Falls no later than January 30, 2011 of the Unsold Slice Amount available for allocation. The Unsold Slice Amount shall be allocated pursuant to section 3 of this exhibit.

## 3. ALLOCATION PROCEDURES FOR UNSOLD AMOUNTS OF SLICE

No later than February 15, 2011, BPA shall make available to Initial Slice Customers the Unsold Slice Amount using the procedure below.

### 3.1 Compute Maximum Additional Slice Amount

Idaho Falls' Maximum Additional Slice Amount shall be equal to its Maximum Slice Amount minus its Preliminary Slice Amount, rounded to an integer annual aMW value.

#### 3.1.1 Maximum Additional Slice Amount Less Than One aMW

If Idaho Falls' Maximum Additional Slice Amount is less than one aMW, then Idaho Falls shall receive no allocation of the Unsold Slice

Amount, and Idaho Falls' Initial Slice Percentage shall be determined pursuant to section 4.2 of this exhibit.

**3.1.2 Maximum Additional Slice Amount Equal To or Greater Than One aMW**

If Idaho Falls' Maximum Additional Slice Amount is equal to or greater than one aMW, Idaho Falls shall be eligible to participate in the allocation of any Unsold Slice Amount as set forth in sections 3.2 and 3.3 of this exhibit.

**3.2 Slice Customers Determine Allocation of Unsold Slice Amounts Among Themselves**

Idaho Falls, if it is an Eligible Slice Customer, shall make a good faith effort, working with the other Eligible Slice Customers, to determine, no later than March 1, 2011, an allocation of the Unsold Slice Amount, such that the sum of all Eligible Slice Customers' Additional Slice Amounts is less than or equal to the Unsold Slice Amount.

If the Eligible Slice Customers agree upon an allocation of the Unsold Slice Amount that conforms with the above limitation, then they shall submit the Additional Slice Amounts in a letter to BPA no later than March 1, 2011, signed by all Eligible Slice Customers, that sets out the name and Additional Slice Amount for each Eligible Slice Customer. Idaho Falls' Initial Slice Percentage shall then be determined pursuant to section 4.5 of this exhibit.

If the Eligible Slice Customers are unable to agree by March 1, 2011 on an allocation of the Unsold Slice Amount, then Idaho Falls shall provide written notification to BPA no later than March 8, 2011 that it elects to, or elects not to, participate in BPA's determination of Additional Slice Amounts, pursuant to section 3.3 of this exhibit. If Idaho Falls elects not to participate in BPA's allocation of the Unsold Slice Amount, or fails to provide written notification to BPA of its election no later than March 8, 2011, then Idaho Falls' Initial Slice Percentage shall be determined pursuant to section 4.4 of this exhibit.

**3.3 BPA's Allocation of Unsold Slice Amount**

BPA shall allocate the Unsold Slice Amount, as set forth in the procedure below, for each Eligible Slice Customer that has provided written notice on or before March 8, 2011 of its election to participate in such allocation.

**3.3.1 Compute Additional Slice Amount**

Idaho Falls' Additional Slice Amount shall be equal to its Maximum Additional Slice Amount multiplied by the ratio determined by dividing: (1) the Unsold Slice Amount by (2) the Combined Maximum Additional Slice Amount.

**3.3.2 Additional Slice Amount is Less Than or Equal to Zero**

If Idaho Falls' Additional Slice Amount is less than or equal to zero, then Idaho Falls shall receive no allocation of Unsold Slice Amount



under this section 3.3, and Idaho Falls' Initial Slice Percentage shall be determined pursuant to section 4.3 of this exhibit.

**3.3.3 Additional Slice Amount is Greater Than Zero**

If Idaho Falls' Additional Slice Amount is greater than zero then Idaho Falls' Initial Slice Percentage shall be determined pursuant to section 4.5 of this exhibit.

**4. DETERMINATION OF INITIAL SLICE PERCENTAGE**

No later than April 15, 2011, BPA shall determine Idaho Falls' Initial Slice Percentage pursuant to the applicable procedure below. Idaho Falls' Initial Slice Percentage so determined, shall be entered into section 2 of Exhibit J.

**4.1 Determination of Initial Slice Percentage when Unsold Slice Amount Less Than One**

If the Unsold Slice Amount is less than one aMW, then BPA shall set Idaho Falls' Initial Slice Percentage equal to Idaho Falls' Preliminary Slice Percentage.

**4.2 Determination of Initial Slice Percentage when Maximum Additional Slice Amount Less Than One**

If Idaho Falls' Maximum Additional Slice Amount is less than one aMW, then BPA shall set Idaho Falls' Initial Slice Percentage equal to Idaho Falls' Preliminary Slice Percentage.

**4.3 Determination of Initial Slice Percentage when Additional Slice Amount Less Than or Equal To Zero**

If Idaho Falls' Additional Slice Amount is less than or equal to zero, then BPA shall set Idaho Falls' Initial Slice Percentage equal to Idaho Falls' Preliminary Slice Percentage.

**4.4 Determination of Initial Slice Percentage when Idaho Falls Elects Not to Participate in Allocation of Unsold Slice Amount**

If Idaho Falls elects, or is deemed under section 3.2 of this exhibit to have elected, not to participate in an allocation of Unsold Slice Amounts, then BPA shall set Idaho Falls' Initial Slice Percentage equal to Idaho Falls' Preliminary Slice Percentage.

**4.5 Determination of Initial Slice Percentage when Eligible Slice Customers Agree on Allocation of Unsold Slice Amount**

If the Eligible Slice Customers deliver a letter to BPA on or before March 1, 2011, in accordance with section 3.2 of this exhibit, then Idaho Falls' Initial Slice Percentage shall be equal to: (1) the sum of Idaho Falls' Preliminary Slice Amount plus Idaho Falls' Additional Slice Amount as specified in the letter, divided by (2) the Base Tier 1 System Capability, expressed as a five decimal percentage.

4.6 **Determination of Initial Slice Percentage when BPA Allocates Additional Slice Amounts Greater Than Zero**

If Idaho Falls' Additional Slice Amount, as determined by BPA pursuant to section 3.3 of this exhibit, is greater than zero, then Idaho Falls' Initial Slice Percentage shall be equal to: (1) the sum of Idaho Falls' Preliminary Slice Amount plus Idaho Falls' Additional Slice Amount, divided by (2) the Base Tier 1 System Capability, expressed as a five decimal percentage.

5. **REVISIONS**

Revisions to this Exhibit Q shall be by mutual agreement of the Parties.

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**EXHIBIT B**

[Attach Form of Creditworthiness Agreement]



**Department of Energy**  
Bonneville Power Administration  
2700 Overland Avenue  
Burley, ID 83318-3273

POWER SERVICES

November 12, 2008

In reply refer to: PSE-Burley

Contract No. 09PB-13257  
CREDITWORTHINESS AGREEMENT

Mayor Jared Fuhriman  
City of Idaho Falls  
P.O. Box 50220  
Idaho Falls, ID 83405-0220

Dear Mayor Fuhriman:

The Bonneville Power Administration (BPA) and the City of Idaho Falls dba Idaho Falls Power (Idaho Falls) intend to enter into Contract No. 09PB-13056, Slice/Block Power Sales Agreement (Slice Agreement). This Creditworthiness Agreement (Agreement) is only applicable to the Slice Agreement. BPA and Idaho Falls are sometimes referred to individually as "Party" and jointly as "Parties."

In recognition of the unique features of the Slice Agreement and as an accommodation to BPA, Idaho Falls hereby agrees to enter into this Agreement.

Accordingly, BPA and Idaho Falls agree as follows:

1. **TERM.** This Agreement takes effect on the date the Slice Agreement is signed by BPA and Idaho Falls, and shall continue in effect until the date, after termination or expiration of the Slice Agreement, on which all payment obligations of Idaho Falls to BPA in connection with the purchase of electric power by Idaho Falls under section 5 of the Slice Agreement have been satisfied.

2. **DEFINITIONS**

(a) "Acceptable Credit Support" means the following, as reasonably determined by BPA, provided that BPA may in its discretion agree that other arrangements qualify as Acceptable Credit Support:

(1) The deposit of cash by Idaho Falls in an escrow or trust account managed by a bank; provided, that, such deposit shall qualify

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as Acceptable Credit Support only if the amounts required under this Agreement have been deposited in such account for a minimum of six continuous months (or such other continuous period as shall defeat a voidable preference under Federal bankruptcy law then in effect);

- (2) (A) An irrevocable standby letter of credit (LOC) issued by:
- (i) a federally insured bank having at least \$1 billion in deposits and whose senior unsecured debt is rated "A" or better by at least two Major Credit Rating Companies;
  - (ii) the National Rural Utilities Cooperative Finance Corporation, so long as its senior unsecured debt is rated "A" or better by at least two Major Credit Rating Companies; or (iii) an institution of equivalent creditworthiness, as reasonably determined by BPA.
- (B) The terms and conditions of the LOC shall provide that:
- (i) It must be payable in full solely to BPA not later than three Business Days after written demand by BPA and without further conditions;
  - (ii) It must guarantee payment and not performance;
  - (iii) It must waive diligence, presentment, demand, protest, notice of acceptance or any other notice;
  - (iv) It must not be terminable by Idaho Falls without BPA's approval;
  - (v) It must be subject to amendment only with BPA's approval;
  - (vi) It must be non-transferable and the issuer of the LOC must be obligated to notify BPA of any assumption or assignment thereof;
  - (vii) Except as otherwise stated in section 2(a)(2)(B)(i-vi), this LOC is subject to International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (ISP98), and as to matters not addressed by the ISP98 this letter of credit shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of laws, except that to the extent the parties' rights

and obligations are required to be governed by United States Federal law, then such rights and obligations shall be governed by United States Federal law.

From time-to-time, the Parties may agree to attach hereto a form of LOC to be used by Idaho Falls if Acceptable Credit Support must be posted pursuant to this Agreement.

- (b) "Business Day" means any day that is normally observed by Idaho Falls as a workday. If the last day of a period during which an action is to be taken under this Agreement falls on a day that is not a Business Day, the last day of such period shall be the next Business Day.
- (c) "Major Credit Rating Companies" means Standard & Poor's, Moody's Investors Services, Inc., Fitch Ratings, or their respective affiliates and successors.
- (d) "Maximum Annual Power Billing" means: (1) at a given time other than in the first year in which power is to be sold to Idaho Falls under the Slice Agreement, an amount equal to twelve times the greatest monthly amount theretofore billed to Idaho Falls by BPA under section 5 of the Slice Agreement in the preceding twelve months, and (2) at a given time in the first year in which power is to be sold to Idaho Falls under the Slice Agreement, an amount equal to twelve times the greatest monthly amount forecast to be billed to Idaho Falls by BPA in such year calculated consistent with BPA's then-applicable Wholesale Power Rate Schedules (regardless of whether or not such schedules are final proposed schedules or have been confirmed by the Federal Energy Regulatory Commission on a provisional or final basis). In the case of both (1) and (2) hereof, the Maximum Annual Power Billing shall not include any amount with respect to the Slice True-Up Adjustment Charge, as defined in the TRM.
- (e) "Tiered Rate Methodology" or "TRM" shall have the meaning as defined in the Slice Agreement.
- (f) "Unenhanced" means, with respect to debt of Idaho Falls, that such debt is secured by the revenues of Idaho Falls only and is not supported by another entity whether through bond insurance, guarantee, or another financial product. In addition, the term is meant to exclude project financed debt and debt that is outstanding but defeased or escrowed to maturity.

### 3. CREDIT REVIEW AND ACCEPTABLE CREDIT SUPPORT

- (a) **Credit Review.** BPA shall conduct a credit review of Idaho Falls to determine the amount of Acceptable Credit Support, if any, that Idaho Falls must post on or before the date power deliveries by BPA commence under the Slice Agreement.
- (b) **When Acceptable Credit Support Will Not Be Initially Required.** At the time power deliveries by BPA commence, Idaho Falls shall have no obligation to post Acceptable Credit Support under either of the following conditions:
- (1) as of August 1, 2011, Idaho Falls' senior, unenhanced debt, if any, is rated by one or more of the Major Credit Rating Companies; and: (A) none have rated such debt below investment grade (BBB- or its equivalent) and (B) in the case of any such debt having a rating at the lowest investment grade (BBB- or its equivalent), Idaho Falls is not on negative credit watch, or
  - (2) as of August 1, 2011, BPA internally rates Idaho Falls BBB- or greater after completion of the credit review pursuant to section 3(a).
- (c) **When Acceptable Credit Support is Required.** If BPA determines that Idaho Falls does not meet the criteria outlined in section 3(b), then Idaho Falls shall post Acceptable Credit Support at the time power deliveries by BPA commence under the Slice Agreement, assuming timely provision of information by Idaho Falls under section 3(d). BPA shall notify Idaho Falls of the result of such a determination no later than August 1, 2011. If BPA timely notifies Idaho Falls that Acceptable Credit Support is required at the time power deliveries by BPA commence under the Slice Agreement, Idaho Falls must post Acceptable Credit Support on or before the time power deliveries by BPA commence under the Slice Agreement in the amount, if any, determined by BPA; provided, however, that the amount of Acceptable Credit Support may not at any time exceed the product of 0.120 and the Maximum Annual Power Billing.
- (d) **Idaho Falls' Failure to Submit Credit Application and Related Information.** If BPA has not received a completed credit application and other information to BPA's satisfaction by April 1, 2011, BPA, without any credit review, may require that Idaho Falls post Acceptable Credit Support in an amount equal to the product of the Maximum Annual Power Billing and 0.120 at the time power deliveries by BPA commence under the Slice Agreement. In such

event, Idaho Falls, must maintain that amount of Acceptable Credit Support until such time as BPA determines otherwise; provided, however, that BPA shall complete the comprehensive credit review of Idaho Falls as soon as practicable after the receipt of a credit application.

4. **CONTINUING CREDIT REVIEW.** From the time power deliveries by BPA commence under the Slice Agreement until the termination or expiration of this Agreement, Idaho Falls shall be subject to continuing credit review by BPA. BPA may periodically review Idaho Falls' creditworthiness and determine, consistent with the terms of this Agreement, the amount, if any, of Acceptable Credit Support that Idaho Falls must post and maintain; provided, however, that Idaho Falls shall not be required to post or maintain Acceptable Credit Support in excess of the product of 0.120 and the Maximum Annual Power Billing. Within three Business Days of receipt by Idaho Falls of notice by BPA to post or increase the amount of Acceptable Credit Support, Idaho Falls shall post or increase the amount of Acceptable Credit Support to the amount determined and provided in the notice by BPA. BPA shall promptly review any Acceptable Credit Support proposed by Idaho Falls to determine whether it satisfies the requirements of this Agreement. From time-to-time during the term of this Agreement, BPA may request and Idaho Falls shall provide updated information of the type described in section 3(d); provided, however, that such information must be reasonably necessary to BPA's evaluation of Idaho Falls' creditworthiness, and, provided further, that Idaho Falls shall have no obligation to provide BPA with any confidential or business sensitive information.

The following events or conditions are grounds for BPA to determine that Idaho Falls post or increase the amount of Acceptable Credit Support under this section 4:

- (a) BPA has knowledge that Idaho Falls has defaulted on or is not performing its payment obligations under power marketing contracts, or loans, notes, bonds, or other evidences of indebtedness;
- (b) Idaho Falls has senior, unenhanced debt that is rated by at least one Major Credit Rating Company below investment grade (BBB- or its equivalent), or is rated by at least one Major Credit Rating Company below investment grade at the lowest investment grade (BBB- or its equivalent) and Idaho Falls is on negative credit watch by that Major Credit Rating Company;
- (c) The enactment, by any legislative body with competent jurisdiction over Idaho Falls of legislation that would render unlawful: (1) the performance by Idaho Falls of any absolute or contingent obligation to make a payment or to receive delivery in respect of the Slice



Agreement, or of any other material provision of the Slice Agreement; or (2) the performance by Idaho Falls of any material contingent or other obligation that Idaho Falls has under this Agreement, the Slice Agreement or any Acceptable Credit Support relating to this Agreement;

- (d) Idaho Falls takes an official position in any legal proceeding to which it is a party that its performance under the Slice Agreement is unlawful or unauthorized;
- (e) Any litigation is filed against Idaho Falls, or by Idaho Falls, contesting the validity or enforceability of Idaho Falls' obligations under the Slice Agreement or this Agreement, or any material provision of the Slice Agreement or this Agreement;
- (f) Substantial changes in market prices occur that materially and adversely impact Idaho Falls' ability to make payments under the Slice Agreement;
- (g) Other material changes in Idaho Falls' financial condition have occurred that may adversely impact Idaho Falls' ability to make payments under the Slice Agreement; or
- (h) Failure of Idaho Falls to provide BPA with information requested by BPA, and to the extent that Idaho Falls does not provide the requested information, BPA is free to draw any conclusion about the creditworthiness of Idaho Falls with respect to the subject matter of the request.

**5. OBLIGATION TO PROVIDE EVIDENCE OF ACCEPTABLE CREDIT SUPPORT.** Idaho Falls must provide BPA with copies of any Acceptable Credit Support provided hereunder immediately upon execution of such Acceptable Credit Support and must provide to BPA within two Business Days of notice by BPA reasonably reliable evidence that Acceptable Credit Support is in effect in the amount provided hereunder.

**6. DISPUTES**

- (a) Idaho Falls may dispute BPA's determinations for the posting of or an increase in the amount of Acceptable Credit Support under this Agreement only if Idaho Falls timely posts the amount so determined by BPA, not to exceed the product of 0.120 and the Maximum Annual Power Billing. Idaho Falls shall maintain such Acceptable Credit Support until the dispute is finally resolved or BPA agrees otherwise.

- (b) Idaho Falls may dispute whether BPA's requests for information are consistent with the terms of this Agreement only if Idaho Falls posts Acceptable Credit Support in an amount determined by BPA, not to exceed the product of 0.120 and the Maximum Annual Power Billing. Idaho Falls must maintain such Acceptable Credit Support until the dispute is finally resolved or BPA agrees otherwise.
- (c) Idaho Falls may dispute a determination by BPA whether a LOC or other form of security meets the requirements of an Acceptable Credit Support only if Idaho Falls posts or maintains security acceptable to BPA and in an amount determined by BPA, not to exceed the product 0.120 and the Maximum Annual Power Billing.
- (d) In the event of a dispute arising under this section 6, the dispute resolution procedures of the Slice Agreement shall apply.

**7. REQUESTS TO REEVALUATE CREDITWORTHINESS.** Idaho Falls may request, at any time during the term of this Agreement, that BPA reevaluate Idaho Falls' creditworthiness. Upon such request, BPA shall determine, consistent with the provisions of this Agreement, whether to reduce the amount of Acceptable Credit Support then required to be posted or maintained by Idaho Falls.

**8. FAILURE TO POST OR MAINTAIN SECURITY.** In the event Idaho Falls does not: (a) post or maintain Acceptable Credit Support in the amount required hereunder; or (b) provide reasonably reliable evidence thereof, in each case as provided in this Agreement, Idaho Falls is in default of this Agreement. Idaho Falls has three Business Days from the date of receipt by Idaho Falls of notification by BPA of such default to cure such default by posting Acceptable Credit Support in the amount required hereunder, or, as the case may be, by providing BPA with reasonably reliable evidence thereof. If the default is not so cured within such period, Idaho Falls is in material breach of this Agreement and the Slice Agreement, and BPA may terminate its obligation to deliver electric power under the Slice Agreement as provided in section 24.7 thereof.

**9. ACCESS TO AND USE OF FUNDS**

- (a) **Access to Funds Available Under Acceptable Credit Support.** BPA is entitled under this Agreement to draw on or receive the funds available under an Acceptable Credit Support only if Idaho Falls has been billed under section 16.1 of the Slice Agreement, and the amount so billed remains unpaid, in whole or in part, after the 45 day cure period outlined in section 16.4 of the Slice Agreement. This section shall not be interpreted to require that BPA meet any condition of demand, satisfaction, presentment or other notice prior to drawing on

or receiving the funds provided under any credit support provided under this Agreement.

- (b) **Use of Funds Available Under Acceptable Credit Support.** If BPA draws on or receives the funds available under an Acceptable Credit Support, such funds shall be used by BPA first to satisfy all liabilities due and owing from Idaho Falls to BPA pursuant to the terms of the Slice Agreement arising from or related to the delivery of power to Idaho Falls under section 5 of the Slice Agreement, and second to any other amounts that are due and owing BPA but that are unpaid under the Slice Agreement including without limitation amounts billed to Idaho Falls thereunder, any interest thereon, and any Slice True-Up Adjustment Charge (as defined in the TRM). If the amount of the funds provided to BPA exceeds the sum of all such liabilities, the amount remaining after all such liabilities are satisfied shall be promptly returned by BPA to Idaho Falls, with interest on the excess funds from the date BPA took possession of those funds to the date the excess funds are returned to Idaho Falls. Such interest shall be calculated by dividing the Prime Rate for Large Banks as reported in the Wall Street Journal on the date BPA took possession of those funds by 365, and applying the resulting interest rate to the excess funds returned to Idaho Falls for each day of the period for which interest is due under this section.
- (c) **No Affect On Other Credit Support Obligations.** BPA's rights to credit support under this Creditworthiness Agreement shall be in addition to and not in derogation of any other credit support or performance assurance provided under the Slice Agreement or any other agreement.

10. **FORM OF NOTICE.** Unless otherwise specified, notice under this Agreement shall be in writing and shall be effective when received. Notice may be transmitted by hand delivery or by mail. Notice may also be transmitted by facsimile or electronic mail, provided that such transmission shall have been followed by hand or mail delivery of the original notice.

If the foregoing is acceptable to Idaho Falls, please sign and date both originals of this Agreement and return one of the originals to me. The remaining original is for your files.

ACCEPTED:

Sincerely,

CITY OF IDAHO FALLS DBA IDAHO  
FALLS POWER

By \_\_\_\_\_  
Mayor

Account Executive

Name Jared Fuhriman

Name Larry D King

Date \_\_\_\_\_

(PSE-W:\POWER\CONTRACT\CUSTOMER\IDAHO FALLS\13257\13257.DOC) 11/03/08

PDF Version

**EXHIBIT B**

[Notice of Public Hearing and Publisher's Affidavit]

# Proof of Publication The Post Register

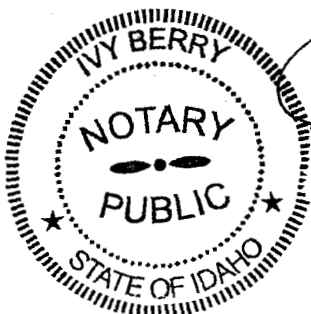
State of Idaho  
County of Bonneville

I, ~~Dan Moore~~, or Joanna Hibbert, first being duly sworn, depose and say: That I am the Operations Manager, or Production Supervisor of The Post Company, a corporation of Idaho Falls, Bonneville County, Idaho, publishers of The Post Register, a newspaper of general circulation, published daily at Idaho Falls, Idaho; said Post Register being a consolidation of the Idaho Falls Times, established in the year 1890, The Idaho Register, established in the year 1880 and the Idaho Falls Post, established in 1903, such consolidation being made on the First day of November, 1931, and each of said newspapers have been published continuously and uninterruptedly, prior to consolidation, for more than twelve consecutive months and said Post Register having been published continuously and uninterruptedly from the date of such consolidation, up to and including the last publication of notice hereinafter referred to.

That the notice, of which a copy is hereto attached and made a part of this affidavit, was published in said Post Register for 1 consecutive (days) weeks, first publication having been made on the 2ND day of DECEMBER 2008, last publication having been made on the 2ND day of DECEMBER 2008 at the said notice was published in the regular and entire issue of said paper on the respective dates of publication, and that such notice was published in the newspaper and not in a supplement.

*Joanna Hibbert*

Subscribed and sworn to before me, this 5TH day of DECEMBER 2008



*[Signature]*

Notary Public

My commission expires January 10, 2009

Credit

**NOTICE OF PUBLIC HEARING**

NOTICE IS HEREBY GIVEN by the City of Idaho Falls (the City) pursuant to the provisions of Section 7-1802, Idaho Code, as amended, that the City Council will conduct a public hearing to consider the adoption of a resolution authorizing the filing of a petition to confirm the validity of the Renewal Power Sales Agreements and a Credit Purchase Agreement (together the Agreements) between the City and the United States of America's Department of Energy, acting through the Bonneville Power Administration.

The public hearing will be held pursuant to the provisions of the Judicial Code of Idaho, Title 7, Chapter 10, Section 7-1008. The public hearing will be held at 7:30 p.m. on December 2, 2008, at the regular meeting place of the City Council, the City Annex Building at 300 Capital Avenue in the City of Idaho Falls.

The resolution authorizes the filing of a petition (the Petition) in the Seventh Judicial District Court of Bonneville County, State of Idaho, that requests a determination by the Court that the Agreements are authorized by the law and the constitution of Idaho, (a) the payment and other obligations incurred by the City under the Agreements are a debt of the City, and (b) the City will be in breach of Article VII, Section 1, of the Idaho Constitution, and for each of the Agreements is the legal, valid and binding obligation of the City, enforceable in accordance with its terms.

Any taxpayer, property owner, elector or elector-at-large of the City, any person holding or claiming any right, title or interest in any property that may be affected by the Agreements, or any other person who has the right to object to this hearing of the Agreements may appear at the hearing.

The Agreements may be examined in their entirety during regular business hours at Idaho Falls Power, 140 South Capital Avenue in the City of Idaho Falls.

Dated this 2nd day of December 2008.

CITY OF IDAHO FALLS, IDAHO  
By: /s/ Rosemarie Anderson  
City Clerk

Published: December 2, 2008

EXHIBIT C

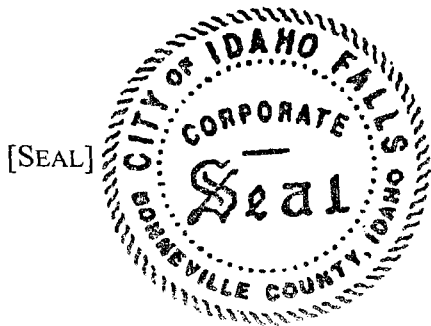
Certificate of City Clerk

STATE OF IDAHO )  
 )  
COUNTY OF BONNEVILLE )

I, the undersigned, the duly qualified and acting City Clerk of City of Idaho Falls, Bonneville County, Idaho (the "City"), do hereby certify, according to the records of the City in my official possession, and upon my own knowledge and belief, that during the year 2008 no person filed a request for notice of public hearings held by the City Council to consider the filing of petitions pursuant to the Judicial Confirmation Law, Title 7, Chapter 13, Idaho Code, as amended, as authorized by Section 7-1304(3), Idaho Code, as amended.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of the City, this 13th day of March, 2009.

Rosmarie Anderson  
City Clerk  
City of Idaho Falls,  
Bonneville County, Idaho





**EXHIBIT D**

[December 18, 2008 Public Hearing Minutes of City Council]

City of Idaho Falls

December 18, 2008

The City Council (the "*Council*") of City of Idaho Falls, Bonneville County, Idaho (the "*City*"), pursuant to due notice met in special public session on December 18, 2008, at the hour of 7:30 p.m., at its regular meeting place at the City Annex Building at 680 Park Avenue in the City of Idaho Falls, Idaho. The meeting was duly called to order by the Mayor with the following members of the Council being present, constituting a quorum of the Council:

NAME	TITLE
Jared D. Fuhriman	Mayor
Karen Cornwell	Councilmember
Thomas Hally	Councilmember
Michael Lehto	Councilmember
Sharon D. Parry	Councilmember
Ken Taylor	Councilmember

Absent: Ida Hardcastle

Also Present:

NAME	TITLE
Kathy Hampton	City Clerk <i>pro tem</i>
Dale W. Storer	City Attorney
Jackie Flowers	General Manager, Idaho Falls Power
Jo Elg	Assistant General Manager, Idaho Falls Power

After the minutes of the preceding meeting had been read and approved, the City Clerk *pro tem* presented to the Council an affidavit evidencing the giving of public notice of the agenda, date, time and place of the December 18, 2008, special public meeting of the Council in compliance with the requirements of applicable Idaho law. The affidavit was ordered recorded in the minutes of the meeting and is as follows:

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STATE OF IDAHO            )  
  )  
COUNTY OF BONNEVILLE    )

I, the undersigned, the duly qualified and acting City Clerk *pro tem* of the City of Idaho Falls, Bonneville County, Idaho (the "*City*"), do hereby certify, according to the records of the City in my official possession, and upon my own knowledge and belief, that in accordance with the requirements of Section 67-2343, Idaho Code, as amended, I gave public notice of the agenda (including the name of the City), date, time and place of the December 18, 2008 special public meeting held by the Council of the City, by:

(a) causing a notice of the regular meeting schedule of the Council for calendar year 2008 to be posted in a prominent place at the principal office of the City, said notice having continuously remained so posted and available for public inspection during the regular office hours of the Council until the convening of the meeting;

(b) causing a copy of the agenda for the December 18, 2008 special public meeting of the Council, in the form attached hereto as *Exhibit A*, to be posted in a prominent place at the principal office of the City at least 48 hours before the convening of the meeting, said notice having continuously remained so posted and available for public inspection during the regular office hours of the Council until the convening of the meeting; and

(c) providing the time and place of the December 18, 2008 special public meeting of the Council to each news media which has requested notification of meetings.

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IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of the City, as of the 18th day of December, 2008.



Katlynn Hampton  
City Clerk *pro tem*  
City of Idaho Falls,  
Bonneville County, Idaho

**EXHIBIT A**

[Attach Agenda for December 18, 2008 Public Meeting]

**CITY OF IDAHO FALLS, IDAHO**  
**COUNCIL MEETING AGENDA**  
**SPECIAL MEETING**  
**COUNCIL CHAMBERS, 680 PARK AVENUE**  
**DECEMBER 18, 2008**  
**7:30 P.M.**

**MAYOR**

Call to order.

Roll call.

Memo from Municipal Services Director:

City Clerk Pro Tem.

Presentations.

**CONSENT AGENDA**

Items from the Mayor:

Appointments/Reappointments.

Items from the City Clerk:

Approval of **License** Applications, including BEER LICENSES to Blondie's, Brownstone Companies Inc., Elk's Lodge, Frosty Gator, Garcia's, Ida-Russkie, Jiffy Mart (Elm Street), Karen's Park Avenue Club, La Ramada, Maverik Country Store (Yellowstone) Papa Tom's Pizza (Woodruff), Pinecrest Fish and Steak House, Inc., Pinecrest Inn, Pizza Hut (Broadway), Pizza Hut (17<sup>th</sup> Street), Quick Stop of Idaho Falls, Red Robin Restaurant, Rite Quick Stop No. 1, Ruby River Steakhouse No. 811, Sage Lake Café, Samoa Club, Sand Creek Café, Sandpiper Restaurants East, Sizzler Family Steak House No. 660, Snake Bite, Sneeker's Sports Grill, The 840, Tom's Gyro and Burgers, Twilight Lounge, Vino Rosso, and 19<sup>th</sup> Hole Café, all carrying the required approvals; and,

Request for Council ratification for the publication of legal notices calling for public hearings on December 18, 2008.

**REGULAR AGENDA**

**MAYOR**

Report from Mayor's Youth Advisory Council.

Recognition of citizens from the floor.

**COUNCIL MEETING AGENDA  
SPECIAL MEETING  
DECEMBER 18, 2008  
Page 2**

**DIVISION DIRECTORS**

Memo from the Airport Director:

David Miller dba M7 LLC, Company.

Memo from the Human Resources Director:

Adoption of Policy - Shift Differential Compensation.

Memo from the Idaho Falls Power Director:

Asset Purchase and Transfer Agreement with Rocky Mountain Power for Sand Creek Golf Course;

Professional Services Agreement with Osmose to Complete the Wood Pole Core Testing Services;

Professional Services Agreement with Advantica to Complete the Electric System Model GIS Integration Project;

Tabulation and Award of bid for Westside Substation Expansion Project.

Memo from the Municipal Services Director:

Prosecuting Legal Services;

Resolution Authorizing Destruction of Documents;

Settlement and Release Agreement pertaining to Wheel City Wall.

Memo from the Planning and Building Director:

Resolution Adopting the Amendment to Fiscal Year 2008-2009 Community Development Block Grant Annual Action Plan.

Memos from the Public Works Director:

Easement Vacation for Lot 4, Block 1, Sunnyside Crossroads Regional Center North, Division No. 2;

Easement Vacation for Lot 15, Block 106, Rose Nielsen Addition, Division No. 107 and Lot 16, Block 101, Grand Teton Addition, Division No. 1;

Easement Vacation for Lot 2, Block 1, Intermountain Business & Technology Park, Division No. 2, 1<sup>st</sup> Amended Plat;

Easement Vacation for Lots 4 & 5, Block 1, D.O.E. Addition No. 1, 1<sup>st</sup> Amended Plat.



## MAYOR

Conducting of a public hearing pursuant to the provisions of the Judicial Confirmation Law, Title 7, Chapter 13, Idaho Code, as amended, to consider whether to adopt a Resolution authorizing the filing of a petition for judicial confirmation to confirm the validity of a renewal Power Sales Agreement and a Creditworthiness Agreement between the City of Idaho Falls and the United States of America, Department of Energy, acting by and through the Bonneville Power Administration.

Conducting of a public hearing to provide an opportunity for funding applicants and citizens to express their comments and support for the use of Fiscal Year 2009 Community Development Block Grant (CDBG) funding. The hearing is also an opportunity for citizens to comment on the updates to the draft Five Year Strategic Plan priorities and objectives.

Introduction of City Attorney:

Presentation of legal matters and/or documents requiring Council consideration.

Adjournment.

*If you need communication aids or services or other physical accommodations to participate or access this meeting or program of the City of Idaho Falls, you may contact City Clerk Rosemarie Anderson at Telephone Number 612-8414 or the ADA Coordinator Mr. J. P. Blickenstaff at Telephone Number 612-8323 as soon as possible and they will make every effort to adequately meet your needs.*

In accordance with the requirements of Section 67-2344, Idaho Code, as amended, written minutes of this meeting are being kept.

After the conduct of other business not pertinent to the following, it was announced that the time had come for the public hearing to be held pursuant to Section 7-1304, Idaho Code, as amended, to consider whether the Council should adopt a resolution authorizing the filing of a petition (the "*Petition*") for a judicial confirmation relating to the validity of, and the City's authority to enter into, a renewal Power Sales Agreement and a Creditworthiness Agreement each between the City and the Bonneville Power Administration.

The City Clerk *pro tem* presented to the Council an affidavit of publication with a newspaper clipping attached evidencing publication of a notice of the public hearing, including the time, place and summary of the matter to be discussed at the public hearing, on December 2, 2008, a date which is not less than fifteen (15) days prior to the date set for the public hearing, in *The Post-Register*, a newspaper of general circulation in the City, far forward in the main section of such newspaper, in a format, size and type distinguishing such notice from legal notices, in accordance with the provisions of Section 7-1304, Idaho Code, as amended.

The affidavit of publication was ordered recorded in the minutes of the meeting and is as follows:

[Attach Affidavit of Publication and Newspaper Clipping]

# Proof of Publication The Post Register

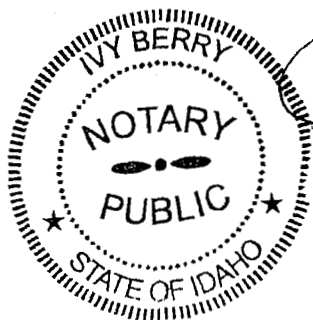
State of Idaho  
County of Bonneville

I, ~~Dan Moore~~, or Joanna Hibbert, first being duly sworn, depose and say: That I am the Operations Manager, or Production Supervisor of The Post Company, a corporation of Idaho Falls, Bonneville County, Idaho, publishers of The Post Register, a newspaper of general circulation, published daily at Idaho Falls, Idaho; said Post Register being a consolidation of the Idaho Falls Times, established in the year 1890, The Idaho Register, established in the year 1880 and the Idaho Falls Post, established in 1903, such consolidation being made on the First day of November, 1931, and each of said newspapers have been published continuously and uninterruptedly, prior to consolidation, for more than twelve consecutive months and said Post Register having been published continuously and uninterruptedly from the date of such consolidation, up to and including the last publication of notice hereinafter referred to.

That the notice, of which a copy is hereto attached and made a part of this affidavit, was published in said Post Register for 1 consecutive (days) weeks, first publication having been made on the 2ND day of DECEMBER 2008, last publication having been made on the 2ND day of DECEMBER 2008 at the said notice was published in the regular and entire issue of said paper on the respective dates of publication, and that such notice was published in the newspaper and not in a supplement.

*Joanna Hibbert*

Subscribed and sworn to before me, this 5TH day of DECEMBER 2008



*[Signature]*

Notary Public

My commission expires January 10, 2009

Credit

**NOTICE OF PUBLIC HEARING**

NOTICE IS HEREBY GIVEN by the City of Idaho Falls (the City) pursuant to the provisions of Section 7-1302 Idaho Code, as amended, that the City Council will conduct a public hearing to consider the adoption of a resolution authorizing the filing of a petition to confirm the validity of a renewal Power Sales Agreement and a Gridwork Sales Agreement (together, the Agreements) each between the City and the United States of America's Department of Energy acting by and through the Bonneville Power Administration.

The public hearing will be held pursuant to the provisions of the Judicial Code of Idaho, Title 7, Chapter 13, Idaho Code, as amended. The public hearing will be held at 7:30 p.m. on December 18, 2008, at the regular meeting place of the City Council at the City Annex Building, 1580 Park Avenue in the City of Idaho Falls.

The proposed resolution authorizes the filing of a petition (the Petition) in the Seventh Judicial District Court of Bonneville County, State of Idaho that requests a determination by the Court that (1) the Agreements are authorized by the laws and constitution of Idaho; (2) the payment and other obligations incurred by the City under the Agreements are ordinary and necessary expenses of the City within the meaning of Article VIII, Section 3 of the Idaho Constitution; and (3) each of the Agreements is the legal, valid, and binding obligation of the City, enforceable in accordance with its terms.

Any taxpayer, property owner, elector, or electric ratepayer of the City; any person having or claiming any right, title, or interest in any property or funds to be affected by the Agreements; or any other person who has the right to object to this hearing or the Agreements may appear at the hearing.

The Agreements may be examined in their entirety during regular business hours at Idaho Falls Power, 140 South Capital Avenue in the City of Idaho Falls.

Dated this 2nd day of December 2008.

CITY OF IDAHO FALLS, IDAHO

By: /s/ Rosemarie Anderson  
City Clerk

Published: December 2, 2008

The City Clerk *pro tem* then presented to the Council her affidavit evidencing the giving of public notice of the public hearing by the City Clerk *pro tem* in accordance with the requirements of Section 7-1304, Idaho Code, as amended. The affidavit of the City Clerk *pro tem* was ordered recorded in the minutes of the meeting and is as follows:

STATE OF IDAHO                    )  
  )  
COUNTY OF BONNEVILLE        )

I, the undersigned, the duly qualified and acting City Clerk *pro tem* of the City of Idaho Falls, Bonneville County, Idaho (the "City"), do hereby certify, according to the records of the City in my official possession, and upon my own knowledge and belief, that in accordance with the requirements of Section 7-1304, Idaho Code, as amended, I gave public notice of the December 18, 2008 public hearing held by the Council of the City, by:

(a) causing a Notice of Public Hearing in the form attached hereto as *Exhibit A*, which includes the time, place and summary of the matter to be discussed at the public hearing, to be posted in a prominent place at or near the main door of the City's administration office on December 2, 2008, a date which is not less than fifteen (15) days prior to the date set for the public hearing, such Notice of Public Hearing having continually remained so posted and available for public inspection during the regular office hours of the Council until the convening of the meeting; and

(b) giving notice, by certified mail at least fourteen (14) days prior to the date of the public hearing, of the time and place of the public hearing to all persons who have requested notice of all meetings of the City convened for the purpose of considering a resolution or ordinance authorizing the filing of a judicial confirmation petition, at the address provided in the request for notice.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of the City, as of the 18th day of December, 2008.



Kathy Hampton  
City Clerk *pro tem*  
City of Idaho Falls,  
Bonneville County, Idaho



**EXHIBIT A**

[Attach Notice of Public Hearing Posted on December 2]

## NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN by the City of Idaho Falls (the "City") pursuant to the provisions of Section 7-1304, Idaho Code, as amended, that the City Council will conduct a public hearing to consider the adoption of a resolution authorizing the filing of a petition to confirm the validity of a renewal Power Sales Agreement and a Creditworthiness Agreement (together, the "Agreements") each between the City and the United States of America, Department of Energy, acting by and through the Bonneville Power Administration.

The public hearing will be held pursuant to the provisions of the Judicial Confirmation Law, Title 7, Chapter 13, Idaho Code, as amended. The public hearing will be held at 7:30 p.m. on December 18, 2008, at the regular meeting place of the City Council at the City Annex Building at 680 Park Avenue in the City of Idaho Falls.

The proposed resolution authorizes the filing of a petition (the "Petition") in the Seventh Judicial District Court of Bonneville County, State of Idaho that requests a determination by the Court that (1) the Agreements are authorized by the laws and Constitution of Idaho, (2) the payment and other obligations incurred by the City under the Agreements are "ordinary and necessary expenses" of the City within the meaning of Article VIII, Section 3 of the Idaho Constitution, and (3) each of the Agreements is the legal, valid, and binding obligation of the City, enforceable in accordance with its terms.

Any taxpayer, property owner, elector, or electric ratepayer of the City, any person having or claiming any right, title, or interest in any property or funds to be affected by the Agreements, or any other person who has the right to object to this hearing or the Agreements may appear at the hearing.

The Agreements may be examined in their entirety during regular business hours at Idaho Falls Power, 140 South Capital Avenue in the City of Idaho Falls.

Dated this 2nd day of December 2008.

CITY OF IDAHO FALLS, IDAHO

By /s/ Rosemarie Anderson  
City Clerk

Mayor Fuhriman then announced that all those interested persons wishing to express their views, both orally and in writing, on the proposed filing by the City of the Petition and would be heard and that all such written or oral statements would be considered. All interested persons wishing to speak were then given full opportunity to be heard and no one appeared in response to the inquiry.

All interested persons wishing to submit written statements were given the opportunity to do so and no one expressed such interest.

Mayor Fuhriman then stated that it was clear that the City's continued purchase of electricity from the Bonneville Power Administration was essential to its ability to continue to provide reliable and low-cost electric service to its citizens and the customers served by Idaho Falls Power. The Mayor noted that he and other members of the Council had voted unanimously to approve the BPA contract at their last meeting in November. Because of the importance of the BPA contract, the Mayor believed that the City could not be exposed to any legal uncertainty regarding its validity, and the Mayor stated that he agreed with the other members of the Council that it was necessary for the City to file a judicial confirmation proceeding to confirm its validity. The Mayor advised the Council that he had determined to intervene in the confirmation proceeding in order to ensure that all legal issues associated with the BPA contract would be fully presented and vigorously argued before the court. The Mayor then introduced Molly O'Leary and advised the Council that he would be represented by Ms. O'Leary's firm, Richardson & O'Leary, in his intervention in the judicial confirmation proceeding. Ms. O'Leary then introduced herself to the Mayor and Council.

Thereupon, the public hearing was concluded.

After the conduct of other business not pertinent to the foregoing, it was moved and carried that the Council adjourn.

CITY OF IDAHO FALLS, BONNEVILLE COUNTY,  
IDAHO

By   
Mayor

ATTEST:

By Kathy Hampton  
City Clerk *pro tem*



STATE OF IDAHO )  
 )  
COUNTY OF BONNEVILLE )

I, the undersigned, do hereby certify that I am the duly qualified and acting City Clerk *pro tem* of the City of Idaho Falls, Bonneville County, Idaho (the "City"). I further certify that the above and foregoing constitutes a true and correct extract of the minutes of a special public meeting of the City Council (the "Council") of the City, held on December 18, 2008, including a public hearing conducted at such meeting, together with the exhibits attached thereto, as said minutes and exhibits are recorded in the regular official book of minutes of the proceedings of the Council kept in the office of the City Clerk, that said proceedings were duly had and taken as therein shown, that the meeting therein shown was in all respects called, held and conducted in accordance with law, and that the persons therein named were present at said meeting, as therein shown.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed or imprinted hereon the official seal of the City, this 18th day of December, 2008.

Kathy Hampton  
City Clerk *pro tem*  
City of Idaho Falls,  
Bonneville County, Idaho

