



Department of Energy

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

FREEDOM OF INFORMATION ACT PROGRAM

August 28, 2020

In reply refer to: FOIA #BPA-2020-00884-F

Chad Stokes
Cable Huston LLP
1455 SW Broadway, Suite 1500
Portland OR 97201
Email: cstokes@cablehuston.com

Dear Mr. Stokes,

This communication is the Bonneville Power Administration (BPA) response to your request for agency information made under the Freedom of Information Act, 5 U.S.C. § 552 (FOIA). BPA received your request on June 24, 2020. An acknowledgment letter was sent to you on July 13, 2020.

Request

“[The] Bonneville Power Administration and Puget Sound Energy (PSE) contract for wheeling between John Day and PSE's system[;] DE-MS79-94BP93947.”

Response

Knowledgeable Account Specialist personnel in BPA’s Transmission Sales & Marketing office performed records searches in response to your FOIA request. Responsive agency records, comprising 78 pages, were located and accompany this communication. Those records are being released to you with one page having redactions applied under 5 U.S.C. § 552(b)(6) to protect personally identifiable information (PII) in the form of individuals’ signatures.

Fees

There are no fees associated with the agency’s response to your FOIA request.

Certification

Pursuant to 10 C.F.R. § 1004.7(b)(2), I am the individual responsible for the search and records release described above. Your FOIA request BPA-2020-00884-F is now closed with the responsive agency records provided.

Appeal

The adequacy of the search may be appealed within 90 calendar days from your receipt of this letter pursuant to 10 C.F.R. § 1004.8. Appeals should be addressed to:

Director, Office of Hearings and Appeals
HG-1, L'Enfant Plaza
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585-1615

The written appeal, including the envelope, must clearly indicate that a FOIA appeal is being made. You may also submit your appeal by e-mail to OHA.filings@hq.doe.gov, including the phrase "Freedom of Information Appeal" in the subject line. (The Office of Hearings and Appeals prefers to receive appeals by email.) The appeal must contain all the elements required by 10 C.F.R. § 1004.8, including a copy of the determination letter. Thereafter, judicial review will be available to you in the Federal District Court either (1) in the district where you reside, (2) where you have your principal place of business, (3) where DOE's records are situated, or (4) in the District of Columbia.

You may contact BPA's FOIA Public Liaison, Jason Taylor, at 503.230.3537, jetaylor@bpa.gov, or at the address on this letter header, for any further assistance and to discuss any aspect of your request. Additionally you may contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows:

Office of Government Information Services
National Archives and Records Administration
8601 Adelphi Road-OGIS
College Park, Maryland 20740-6001
E-mail: ogis@nara.gov
Phone: 202-741-5770
Toll-free: 1-877-684-6448
Fax: 202-741-5769

Questions about this communication may be directed to James King, CorSource Technology Group LLC, at jjking@bpa.gov or 503.230.7621.

Sincerely,



Candice D. Palen
Freedom of Information/Privacy Act Officer

[Attachments: The responsive agency records accompany this communication.](#)

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**Department of Energy**

Bonneville Power Administration
P.O. Box 61409
Vancouver, WA 98666-1409

TRANSMISSION SERVICES

November 17, 2010

In reply refer to: TSE/TPP-2

Contract No. 10TX-14834
Letter Agreement

Mr. Doug Faulkner
Manager, Resource Integration
Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

Dear Mr. Faulkner:

This Letter Agreement (Agreement) reconciles the outstanding net over-return of losses by Puget Sound Energy, Inc. (Puget) to the Bonneville Power Administration (Bonneville) for transmission service for the time period between July 1, 2001 and August 31, 2009. Bonneville and Puget are sometimes referred to individually as "Party" and jointly as "Parties."

Therefore, Bonneville and Puget agree as follows:

1. From July 1, 2001, through August 31, 2009, Puget over-and-under returned losses for schedules under multiple contracts, resulting in a net over-return to Bonneville of 127,271 MWh. Bonneville agrees to financially compensate Puget for such net over-return. The Parties determined that the monthly average of the Dow Jones Mid-C Daily Index provides the best reflection of the cost to Puget of over-returning the transmission losses for the months involved. For the 127,271 MWh, this value is determined to be \$5,601,664.00. Attachments A, B and C describe the calculation of the 127,271 MWh of losses and the associated compensation amount of \$5,601,664.00.
2. In order to compensate Puget for the 127,271 MWh of net over-returns as described above, Bonneville shall pay Puget a lump sum amount of \$5,601,664.00. Bonneville shall pay such amount to Puget by electronic funds transfer no later than 20 days following the date Puget provides Bonneville with an invoice and its banking instructions for the payment.

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3. The Parties agree that this Agreement constitutes full and final settlement regarding over-and-under-returned losses by Puget to Bonneville during the period July 1, 2001, through August 31, 2009 for the following contracts:

14-03-001-14502	DE-MS79-88BP92427
14-03-001-13439	DE-MS79-88BP92461
14-03-45241	DE-MS79-90BP92781
DE-MS79-94BP93947	01TX-10748
14-03-001-13574	06TX-12195
14-03-39361	03TX-11539
DE-MS79-95BP93081	DE-MS79-94BP94521

Neither Party may pursue any further action against the other related to these losses, whether in dispute resolution, in court, at the Federal Energy Regulatory Commission or elsewhere, other than to enforce this Agreement.

4. This Agreement represents the entire agreement of the Parties. This Agreement supersedes any agreements and representation made by the Parties in all prior discussions, negotiations and agreements, whether oral or written, relating to the subject matter of this Agreement.

If you are in agreement with the foregoing terms and conditions, please indicate your agreement by signing both originals and returning one executed original to my attention at one of the following addresses:

First Class Mail

Overnight Delivery Service

Bonneville Power Administration
Mail Stop: TSE/TPP-2
P.O. Box 61409
Vancouver, WA 98666-1409

Bonneville Power Administration
Mail Stop: TSE/TPP-2
7500 NE 41st Street – Suite 130
Vancouver, WA 98662-7905

The remaining executed original is for your files. If you have any questions, please do not hesitate to call me at (360) 619-6015.

Sincerely,

(b) (6)

Toni L. Timberman
Senior Transmission Account Executive
Transmission Sales

1 Enclosure

(b) (6)

CONCUR: (b) (6)

By: (b) (6)

Name: David Mills
Director

Title: Energy Supply & Planning
Puget Sound Energy, Inc

Date: 11/19/10

ATTACHMENT A
Over-and-Under Returned Losses - Puget Sound Energy, Inc.

NORTHERN INTERTIE SUMMARY OF LOSSES

Time Period: July 1, 2001 through August 31, 2009

MWh = 9,253

Value = \$484,741.00

Summary of Dollars & MWhs Associated w/Losses

Losses Computed as .3% of Net Scheduled Energy on Puget's Share of the Northern Intertie.

Contract No. DE-MS79-95BP93081

2001			
	HLH	LLH	Totals
dollars	\$20,201	\$11,003	\$31,204
mwh	718	371	1,089
\$/mwh	\$28.14	\$29.64	\$28.65

2002			
	HLH	LLH	Totals
dollars	\$75,433	\$18,286	\$93,719
mwh	2,872	881	3,754
\$/mwh	\$26.26	\$20.75	\$24.97

2003			
	HLH	LLH	Totals
dollars	\$64,763	\$32,201	\$96,964
mwh	1,580	943	2,522
\$/mwh	\$41.00	\$34.16	\$38.44

2004			
	HLH	LLH	Totals
dollars	\$101,936	\$55,767	\$157,702
mwh	2,289	1,452	3,741
\$/mwh	\$44.53	\$38.41	\$42.16

2005			
	HLH	LLH	Totals
dollars	\$129,743	\$45,507	\$175,250
mwh	1,862	799	2,661
\$/mwh	\$69.68	\$56.94	\$65.86

2006			
	HLH	LLH	Totals
dollars	\$70,131	\$55,015	\$125,146
mwh	1,465	1,442	2,907
\$/mwh	\$47.88	\$38.14	\$43.05

2007			
	HLH	LLH	Totals
dollars	\$81,990	\$38,555	\$120,545
mwh	1,389	861	2,250
\$/mwh	\$59.02	\$44.77	\$53.57

2008			
	HLH	LLH	Totals
dollars	-\$43,191	-\$25,927	-\$69,117
mwh	-903	-723	-1,626
\$/mwh	\$47.84	\$35.86	\$42.51

2009			
	HLH	LLH	Totals
dollars	-\$126,681	-\$119,991	-\$246,672
mwh	-3,825	-4,221	-8,046
\$/mwh	\$33.12	\$28.43	\$30.66

Total for all years			
	HLH	LLH	Totals
dollars	\$374,324	\$110,417	\$484,741
mwh	7,447	1,805	9,253
\$/mwh	\$50.26	\$61.16	\$52.39

Source of prices: DJMidC Firm Monthly Indexes

ATTACHMENT B
Over-and-Under Returned Losses - Puget Sound Energy, Inc.

SOUTHWEST WHEELING SUMMARY OF LOSSES

Time Period: July 1, 2001 through December 31, 2005

MWh = 592

Value = \$11,439.00

Summary of Dollars & MWhs Associated w/Losses
Losses for Schedules With Owner/NFP Product Code 99
AC Intertie Losses on NFP share and BPA Share
Contract No. DE-MS79-94BP94521

2001			
	HLH	LLH	Totals
dollars	\$1,311	\$727	\$2,037
mwh	194	-28	166
\$/mwh	\$6.77	-\$26.15	\$12.30

2004			
	HLH	LLH	Totals
dollars	-\$11,164	\$16,063	\$4,899
mwh	-224	395	170
\$/mwh	\$49.80	\$40.70	\$28.75

2002			
	HLH	LLH	Totals
dollars	\$21,987	\$542	\$22,529
mwh	805	-128	676
\$/mwh	\$27.32	-\$4.22	\$33.32

2005			
	HLH	LLH	Totals
dollars	\$253	-\$685	-\$432
mwh	3	-14	-11
\$/mwh	\$92.31	\$49.36	\$38.78

2003			
	HLH	LLH	Totals
dollars	-\$20,635	\$3,042	-\$17,594
mwh	-484	75	-409
\$/mwh	\$42.65	\$40.61	\$43.02

Total for all years			
	HLH	LLH	Totals
dollars	-\$8,249	\$19,688	\$11,439
mwh	293	299	592
\$/mwh	-\$28.16	\$65.77	\$19.32

Source of prices: DJMidC Firm Monthly Indexes

ATTACHMENT C
Over-and-Under Returned Losses - Puget Sound Energy, Inc.

IR AND PTP WHEELING SUMMARY OF LOSSES

Time Period: July 1, 2001 through August 31, 2009

MWh = -137,116

Value = \$-6,097,844

Summary of Dollars & MWhs Associated w/Losses

IR and PTP Wheeling Loss Calculations

Contract No's 14-03-001-14502, 14-03-001-13439, 14-03-45241, 14-03-001-13574, 14-03-39361, DE-MS79-88BP92427, DE-MS79-88BP92461, DE-MS79-90BP92781, DE-MS79-94BP93947, 01TX-10748, 03TX-11539 and 06TX-12195.

2001			
	HLH	LLH	Totals
dollars	-\$150,521	-\$109,832	-\$260,353
mwh	-4,574	-3,818	-8,392
\$/mwh	\$32.91	\$28.76	\$31.02

2002			
	HLH	LLH	Totals
dollars	-\$137,999	-\$106,451	-\$244,450
mwh	-3,727	-3,104	-6,831
\$/mwh	\$37.02	\$34.30	\$35.79

2003			
	HLH	LLH	Totals
dollars	-\$325,338	-\$191,387	-\$516,725
mwh	-7,982	-5,306	-13,288
\$/mwh	\$40.76	\$36.07	\$38.89

2004			
	HLH	LLH	Totals
dollars	-\$198,844	-\$225,096	-\$423,940
mwh	-5,817	-7,398	-13,215
\$/mwh	\$34.18	\$30.43	\$32.08

2005			
	HLH	LLH	Totals
dollars	-\$819,700	-\$490,377	-\$1,310,076
mwh	-12,476	-9,013	-21,489
\$/mwh	\$65.70	\$54.41	\$60.97

2006			
	HLH	LLH	Totals
dollars	-\$446,002	-\$331,631	-\$777,632
mwh	-9,289	-7,867	-17,157
\$/mwh	\$48.01	\$42.15	\$45.33

2007			
	HLH	LLH	Totals
dollars	-\$492,988	-\$352,803	-\$845,790
mwh	-8,959	-7,654	-16,613
\$/mwh	\$55.03	\$46.10	\$50.91

2008			
	HLH	LLH	Totals
dollars	-\$667,772	-\$405,735	-\$1,073,507
mwh	-9,976	-7,562	-17,538
\$/mwh	\$66.94	\$53.65	\$61.21

2009			
	HLH	LLH	Totals
dollars	-\$429,143	-\$216,227	-\$645,370
mwh	-13,991	-8,602	-22,593
\$/mwh	\$30.67	\$25.14	\$28.56

Total for all years			
	HLH	LLH	Totals
dollars	-\$3,668,305	-\$2,429,539	-\$6,097,844
mwh	-76,791	-60,324	-137,116
\$/mwh	\$47.77	\$40.27	\$44.47

Source of prices: DJMidC Firm Monthly Indexes



Department of Energy

Bonneville Power Administration
P.O. Box 491
Vancouver, Washington 98666-0491

TRANSMISSION BUSINESS LINE

AUTHENTICATED

September 24, 1998

In reply refer to: TM/DITT2

Montana Power Company
Mr. Ted Williams
40 East Broadway
Butte, MT 59701-9394

Puget Sound Energy
Mr. Wayman Robinett
P.O. Box 90868
Bellevue, WA 98009-5028

Portland General Electric Co.
Mr. Frank Afranji
121 S.W. Salmon St, 1-WTC
Portland, OR 97204

This letter is to confirm acceptance by Montana Power Company, Puget Sound Energy, and Portland General Electric Company (Colstrip Parties) of new scheduling procedures that Bonneville Power Administration (BPA) and the Colstrip Parties desire to implement in anticipation of the sale of the Colstrip Generating Project (Project), or portions thereof, to a new owner/operator(s) within the next few weeks. It is the understanding between BPA and the Colstrip Parties that the procedures described below are interim in nature and are expected to be included in forthcoming amendments, revisions and/or assignments of the Colstrip Parties (Bonneville contract Nos. DE-MS79-81BP90166, DE-MS79-88BP92465, DE-MS79-88BP92492, DE-MS79-93947, DE-MS79-89BP92273) and interests therein to the new Project owner/operator. Furthermore, BPA and the Colstrip Parties shall agree to modifications of these procedures in the event that 1) the Project is removed from the Colstrip Parties' respective control areas; 2) the Project is used for AGC purposes; 3) new reliability requirements are issued by the Western Systems Coordinating Council or the National Electric Reliability Council, or their successors; or 4) to implement requirements of Federal Energy Regulatory Commission orders. If BPA and the Colstrip Parties or their assignees do not agree on such modifications, any party may pursue alternative dispute resolution procedures consistent with section 10 of BPA's open access transmission tariff.

Colstrip Generation Scheduling Procedures

Purpose:

Create a scheduling mechanism to allow Colstrip Generation Owners ("Customers") to schedule/sell Colstrip Generation to power customers utilizing their Network Transmission Agreement and Montana Intertie Transmission Agreement. The revised scheduling procedure will:

1. Provide BPA with scheduling information to calculate BPA ATC and implement/manage curtailments on the BPA Montana Intertie and BPA Network Transmission Segments.
2. Provide the Customer and BPA with a transcript of Transmission Schedules entering and exiting BPA transmission located in the BPA Control Area.

3. Provide a mechanism to track and schedule Secondary/Alternate Firm and Nonfirm POD's for the Colstrip POI as allowed under the BPA/Customer Network Transmission Agreement.

Scheduling Procedure:

All transmission scheduling transactions associated with Colstrip Generation that utilize the BPA Transmission System will be tied to the Colstrip Project (POI at Garrison under the Customer's Network Transmission Agreement). BPA will identify "Colstrip" in the title of all scheduling accounts the Customer submits that are associated with the Colstrip Generation and/or "Project Scheduled Power" that are utilizing the BPA Montana Intertie and BPA Network Transmission Segments. If the transmission customer elects to use two types of transmission for an individual transaction on the BPA transmission system, the scheduling transaction will be treated (i.e. for a curtailment) based on the lowest priority of transmission service.

1. The Customer is required to submit transmission pre-schedules under the normal BPA pre-schedule timelines. The generation source must be identified as "Colstrip" at the time the pre-schedule is submitted. The generation source may include "Project Scheduled Power" or "other power" delivered to Broadview as defined in the Montana Intertie Agreement.
2. The Customer is responsible for identifying the source and sink for the Colstrip energy and the Transmission Contract Holder (TCH) for both the Montana Intertie and Network segments (if applicable, the Southern Intertie TCH would need to be identified). Hourly schedules for the Montana Intertie and Network will be tracked and separately checked for demand usage.
3. Schedules over the Montana Intertie and the Network must match, i.e., schedules that come into Garrison over the Montana Intertie must go out from Garrison over the Network (except for the power transfer associated with MPC's UFT Agreement #90166). If applicable, the Southern Intertie schedule must also match.
4. The Customer is required to submit pre-schedule estimates for the Colstrip amounts going to the Customer's system. These values will be entered in a memo schedule. The Customer will be allowed to true-up the memo schedule no later than the following Business Day to adjust for variations in actual Colstrip output from the pre-schedule estimate.
5. After-the-hour real-time changes to the transmission schedules are not allowed (with the exception of the true-up mentioned in Number 4 above). For example, if a Customer's transmission schedule is implemented during real-time at HE 14 showing a Colstrip POI with PGE as the POD the customer can not change the hourly schedule values after the hour of delivery or make changes to show different a POI and/or POD.
6. Under BPA's current PTP and NT tariffs, Customers are allowed to make adjustments to their pre-schedules up to 20 minutes prior to the hour of delivery. Customers with other types of transmission contracts will be allowed to adjust their pre-schedules as specified in their contract (after-the-fact submittals are not allowed except for the transactions mentioned

bcc:

C. Combs – LT/7

J. Rogers – TM/DITT2

M. Raschio – TM/DITT2

C. Perigo – TM/DITT2

R. Paulsrude – TMC/DITT2

C. Espiritu – TMBR/MODD

B. Leonard – TMBR/MODD

J. Anasis – TMS/DITT1

S. Buckmier – TMS/DITT1

G. Carter – TMS/DITT1

D. Haines – TMS/DITT1

L. Hoffman – TMS/DITT1

W. Hutchison – TMS/DITT1

D. VanderZanden – TMS/DITT1

D. VanCoevering – TOO/DITT2

D. Gold – TOOD/DITT1

D. Watkins – TOON/DITT2

Official File – TMC/DITT2

Customer File – TM (Montana, Puget, PGE)

MRashchio:des:8695:9/24/98 (w:\tm_wg\acctexec\king\customer\montana\ltragmtcolstrip.doc)



Department of Energy

Bonneville Power Administration
P.O. Box 491
Vancouver, Washington 98666-0491

TRANSMISSION BUSINESS LINE

AUTHENTICATED

May 28, 1999

In reply refer to: TM/DITT2

Mr. Paul T. Champagne
President
PP&L Montana, LLC
11350 Random Hills Road, Suite 400
Fairfax, VA 22030

Mr. Gary Swofford
Vice President, Corporate Performance
Puget Sound Energy, Inc.
411 - 108th Avenue N.E.
Bellevue, WA 98104

RE: Letter of Consent -- Assignment of Puget Sound Energy, Inc. General
Transmission Agreement to PP&L Montana, LLC

Dear Messrs. Champagne and Swofford:

Puget Sound Energy, Inc. ("PSE") and the United States of America, Department of Energy, acting by and through the Bonneville Power Administration ("Bonneville"), are parties to that certain General Transmission Agreement dated December 1, 1994, Bonneville Contract No. DE-MS79-94BP93947 (such agreement, as amended, herein referred to as the "Existing Transmission Agreement"). The Existing Transmission Agreement provides for, among other things, firm transmission for 663 MW of power generated at the Colstrip Generating Plant in Montana, and of "Project Scheduled Power" (as defined in that certain Transmission Agreement dated as of April 17, 1981 among the United States of America, Department of Energy, acting by and through Bonneville, and PSE and the other Montana Intertie Users (as defined in such agreement), relating to the Colstrip Project (Bonneville Contract No. DE-MS79-81BP90210) (such agreement, as amended, herein referred to as the "Montana Intertie Agreement")), from the Garrison Substation 500 kV bus Point of Integration ("POI") over Bonneville's main grid transmission system to Points of Delivery ("PODs"), as defined therein, on PSE's system (such transmission capacity herein referred to as the "Colstrip Transmission Demand").

PSE and PP&L Global, Inc., a Pennsylvania corporation ("PP&L Global"), have entered into an Asset Purchase Agreement dated as of November 1, 1998 (the "Asset Purchase Agreement"), pursuant to which PSE has agreed to sell to PP&L Global, and PP&L

Global has agreed to purchase from PSE, on the terms and subject to the conditions of the Asset Purchase Agreement, PSE's undivided interests in the Colstrip Generating Plant and certain related transmission and other assets (all of which are herein referred to as the "PSE Colstrip Assets").¹ PP&L Global intends to assign all of its right, title and interest in, to and under the Asset Purchase Agreement to PP&L Montana, LLC. (As used herein, the term "PPLM" shall mean PP&L Montana, LLC and any of its successors or assigns, provided, however, that any such successor or assign shall be an Eligible Customer within the meaning of Bonneville's Open Access Transmission Tariff, as amended from time to time, and provided, further, that PP&L Montana, LLC shall remain fully responsible for causing all of the conditions of this Letter of Consent to be met. In the event PP&L Montana, LLC assigns its rights hereunder, it must provide Bonneville with at least 30 days' prior written notice of such assignment, and shall agree in such notice to be liable for all obligations of its assignee under the Point-to-Point Transmission Service Agreement entered into by such assignee.) It is anticipated that on or after July 1, 1999, PPLM or an affiliate of PPLM will complete the purchase of PSE's ownership interest in the PSE Colstrip Assets.

PSE and PPLM intend to enter into an Assignment and Assumption Agreement, in the form set forth in Exhibit A attached hereto (the "Assignment and Assumption").

By letter dated September 24, 1998, as extended by letter dated March 30, 1999 (the "Bonneville Letter"), Bonneville agreed (1) to consent to the assignment by PSE to an "Assignee" (as defined in the Bonneville Letter) and assumption by such Assignee of all of PSE's right, title and interest in and to the Existing Transmission Agreement with respect to the Colstrip Transmission Demand and (2) to release PSE from its obligations under the Existing Transmission Agreement with respect to the Colstrip Transmission Demand, all upon the terms and subject to the conditions set forth in the Bonneville Letter.

PSE and PPLM have negotiated a Wholesale Transition Service Agreement (the "Transition Agreement") to be entered into at Closing (as defined in the Asset Purchase Agreement), pursuant to which PPLM has agreed to sell and deliver to PSE, and PSE has agreed to purchase and receive from PPLM, 333 MW of firm energy from the Colstrip Project for a term of two years commencing on the day following such Closing.

Subject to the occurrence of the Closing (as defined in the Asset Purchase Agreement) and the execution and delivery of the Assignment and Assumption, Bonneville hereby consents to the assignment by PSE to PPLM, and the assumption by PPLM, of all of PSE's right, title and interest in, to and under the Existing Transmission Agreement with respect to the Colstrip Transmission Demand, and the assumption by PPLM of the obligations of PSE under the Existing Transmission Agreement with respect to the Colstrip Transmission Demand, as if PPLM were the original party thereto in place of PSE, all on the terms and subject to the conditions of the Assignment and Assumption. Bonneville's consent is provided pursuant to Section 10(c)(1)(B) and Section 26 of Exhibit B to the Existing Transmission Agreement, and is subject to the additional condition that PPLM

¹ PSE's ownership interest in the Colstrip Generating Plant and the Colstrip transmission facilities consists of approximately 663 MW of generation capacity from Units 1, 2, 3 and 4 and a pro rata interest in certain common facilities.

and Bonneville shall, after the execution of the Assignment and Assumption and on the same day, enter into a Point-to-Point Transmission Service Agreement (the "Point-to-Point Transmission Agreement"), substantially in the form set forth in Appendix I to the Assignment and Assumption, with respect to the "Phase 1 Colstrip Transmission Demand" (as hereinafter defined), and shall amend such agreement to include the "Phase 2 Colstrip Transmission Demand" (as hereinafter defined) within the time frame provided herein. The provisions of the Assignment and Assumption relating to 330 MW of the Colstrip Transmission Demand (the "Phase I Colstrip Transmission Demand") shall be effective as of the execution and delivery of the Assignment and Assumption. In accordance with the provisions of the Bonneville Letter, PPLM will, after the provisions of the Assignment and Assumption with respect to the Phase 1 Colstrip Transmission Demand become effective, and on the same day, convert the transmission capacity under the Existing Transmission Agreement relating to the Phase 1 Colstrip Transmission Demand to firm point-to-point transmission service under Bonneville's Open Access Transmission Tariff and the Point-to-Point Transmission Agreement.

Except as provided in this paragraph, during the term of the Transition Agreement PSE will retain its transmission service rights under the Existing Transmission Agreement with respect to the remaining 333 MW of the Colstrip Transmission Demand (the "Phase 2 Colstrip Transmission Demand"). The provisions of the Assignment and Assumption relating to the Phase 2 Colstrip Transmission Demand shall be effective immediately upon the termination of the Transition Agreement; provided, however, that if Bonneville receives written notice from PPLM stating that PPLM, acting pursuant to Section 6.02 of the Assignment and Assumption, is electing to effect the assignment of the Phase 2 Colstrip Transmission Demand prior to the end of the full term of the Transition Agreement, Bonneville may rely on such notice as rendering the provisions of the Assignment and Assumption relating to the Phase 2 Colstrip Transmission Demand immediately effective, regardless of any dispute between PPLM and PSE as to whether such provisions have become effective, and Bonneville shall have no obligation to make any inquiry or investigation with respect to such notice, and shall have no liability whatsoever for or in connection with any such notice or any action taken by Bonneville pursuant to such notice.

In accordance with the provisions of the Bonneville Letter, PPLM will, after the provisions of the Assignment and Assumption with respect to the Phase 2 Colstrip Transmission Demand become effective and on the same day, convert the transmission capacity under the Existing Transmission Agreement relating to the Phase 2 Colstrip Transmission Demand to firm point-to-point transmission service under Bonneville's Open Access Transmission Tariff and the Point-to-Point Transmission Agreement.

Effective (a) in the case of the Phase 1 Colstrip Transmission Demand, upon the occurrence of the Closing, the execution and delivery of the Assignment and Assumption, and the conversion of the transmission capacity under the Existing Transmission Agreement relating to the Phase 1 Colstrip Transmission Demand to firm point-to-point

transmission service under Bonneville's Open Access Transmission Tariff and the Point-to-Point Transmission Agreement, and (b) in the case of the Phase 2 Colstrip Transmission Demand, upon the termination of the Transition Agreement and the conversion of the transmission capacity under the Existing Transmission Agreement relating to the Phase 2 Colstrip Transmission Demand to firm point-to-point transmission service under Bonneville's Open Access Transmission Tariff and the Point-to-Point Transmission Agreement, Bonneville hereby releases PSE from any and all obligations under the Existing Transmission Agreement with respect to the Phase 1 Colstrip Transmission Demand and the Phase 2 Colstrip Transmission Demand, respectively, except for any indebtedness, obligations and other liabilities (whether absolute, accrued, contingent, fixed or otherwise, or whether due or to become due) arising or to be performed (a) in the case of the Phase 1 Colstrip Transmission Demand, on or prior to the occurrence of the Closing and the execution and delivery of the Assignment and Assumption; and (b) in the case of the Phase 2 Colstrip Transmission Demand, on or prior to the termination of the Transition Agreement.

Bonneville acknowledges and agrees that, effective upon the occurrence of the Closing and the execution and delivery of the Assignment and Assumption and the Point-to-Point Transmission Agreement on the terms stated herein in the case of the Phase 1 Colstrip Transmission Demand, and effective upon the termination of the Transition Agreement in the case of the Phase 2 Colstrip Transmission Demand, each and all of the conditions set forth in the Bonneville Letter, and each and all of the requirements of Sections 10(c)(1)(B) and 10(c)(5)(A) of the Existing Transmission Agreement and Section 26 of Exhibit B to the Existing Transmission Agreement with respect to notice and assignment, shall be deemed satisfied in full or fully and forever waived by Bonneville.

Bonneville will use reasonable efforts to (i) send to PPLM, at the same time as it sends such notices to PSE, a copy of any and all notices sent by Bonneville to PSE under or in connection with the Existing Transmission Agreement (including but not limited to any notice of any breach or default by PSE under the Existing Transmission Agreement), and (ii) provide notice to PPLM, at the earliest reasonably practicable opportunity, of any proposed amendments, modifications, supplements or additions to the Existing Transmission Agreement.

Except as otherwise expressly provided herein, the terms and conditions of the Existing Transmission Agreement shall remain in full force and effect.

This Letter of Consent is contingent on PSE and PPLM executing an assignment and assumption agreement with rights and obligations as set forth in Exhibit A. Upon receipt of notice from PPLM within five business days prior to the Closing, Bonneville agrees to execute the Point-to-Point Transmission Agreement and deliver it to PPLM within two business days for execution by PPLM. This Letter of Consent shall not be revoked prior to December 31, 1999 (or any later date agreed to by Bonneville, which agreement shall not be unreasonably withheld), unless prior thereto the Asset Purchase Agreement has been fully and finally terminated in accordance with its terms. Nothing in this Letter of Consent is intended to modify or contradict the terms of Bonneville's Open Access Transmission Tariff, and Bonneville and PPLM shall be required to comply with each and all of the terms of such tariff that apply to this transaction.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By: /S/ ROBERT A. ROGERS

Name: Robert A. (Joe) Rogers
Print/Type

Title: Transmission Account Executive

Date: 6-1-99

EXHIBIT A

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement") is made and entered into as of the ____ day of _____, 1999, by and between PUGET SOUND ENERGY, INC., a Washington corporation ("PSE"), and PP&L MONTANA, LLC, a Delaware limited liability company.

WHEREAS, PSE and PP&L Global, Inc., a Pennsylvania corporation ("PP&L Global"), entered into that certain Asset Purchase Agreement dated as of November 1, 1998 (the "Asset Purchase Agreement"), pursuant to which PSE has agreed to sell to PP&L Global, and PP&L Global has agreed to purchase from PSE, on the terms and subject to the conditions of the Asset Purchase Agreement, PSE's undivided interests in Colstrip Units 3 and 4 and certain related transmission and other assets (such interests, the "PSE Colstrip Assets");

WHEREAS, PP&L Global has assigned all of its right, title and interest in, to and under the Asset Purchase Agreement to PP&L Montana, LLC;

WHEREAS, PSE and the United States of America, Department of Energy, acting by and through the Bonneville Power Administration ("Bonneville"), are parties to that certain General Transmission Agreement dated December 1, 1994, Bonneville Contract No. DE-MS79-94BP93947 (such agreement, as amended, the "Existing Transmission Agreement"). The Existing Transmission Agreement provides for, among other things, firm transmission for 663 MW of power generated at the Colstrip Generating Plant in Montana, and of "Project Scheduled Power" (as defined in that certain Transmission Agreement dated as of April 17, 1981 among the United States of America, Department of Energy, acting by and through the Bonneville Power Administration ["Bonneville"], and PSE and the other Montana Intertie Users (as defined in such agreement), relating to the Colstrip Project [Bonneville Contract No. DE-MS79-81BP90210] [such agreement, as amended, the "Montana Intertie Agreement"]), from the Garrison Substation 500 kV bus Point of Integration ("POI") over Bonneville's main grid transmission system to Points of Delivery ("PODs"), as defined therein, on PSE's system (such transmission capacity, the "Colstrip Transmission Demand");

WHEREAS, PP&L Montana, LLC or an Affiliate (as defined in the Asset Purchase Agreement) intends to complete the purchase of the PSE Colstrip Assets, on the terms and subject to the conditions set forth in the Asset Purchase Agreement;

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Letter of Consent

PSE General Transmission Agreement to PP&L Montana, LLC

May 28, 1999

WHEREAS, by letter dated _____, 1999 (the "Letter of Consent"), Bonneville has consented to the assignment by PSE and assumption by PP&L Montana, LLC of PSE's interest in the Existing Transmission Agreement with respect to the Colstrip Transmission Demand, and has agreed to release PSE from certain obligations under the Existing Transmission Agreement with respect to the Colstrip Transmission Demand, all upon the terms and subject to the conditions set forth in the Letter of Consent; and

WHEREAS, PSE and PP&L Montana, LLC have negotiated a Wholesale Transition Service Agreement, to be entered into at Closing (as defined in the Asset Purchase Agreement) (the "Transition Agreement"), pursuant to which PP&L Montana, LLC has agreed to sell and deliver to PSE, and PSE has agreed to purchase and receive from PP&L Montana, LLC, 333 MW of firm energy from the Colstrip Project for a term of two years commencing on the day following such Closing.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

DEFINED TERMS

Unless otherwise defined herein, initially capitalized terms used herein shall have the meanings set forth in the Asset Purchase Agreement. The term "PPLM" shall mean PP&L Montana, LLC and any of its successors or assigns, provided, however, that any such successor or assign shall be an Eligible Customer within the meaning of Bonneville's Open Access Transmission Tariff, as amended from time to time, and provided, further, that PP&L Montana, LLC shall remain fully responsible for causing all of the obligations of this Agreement to be satisfied. In the event PP&L Montana, LLC assigns its rights hereunder, it shall provide Bonneville with at least 30 days prior written notice of such assignment, and shall be liable for all obligations of its assignee under the Point-to-Point Transmission Service Agreement entered into by such assignee.

ARTICLE II

EFFECTIVE DATE

This Agreement shall become effective upon the execution and delivery of this Agreement by both parties, which date and time are hereby agreed to be 11:59 p.m. Pacific Prevailing Time on the date first set forth above. The provisions of this Agreement with respect to the Colstrip Transmission Demand, including but not limited to the assignment and assumption provided for in Article III of this Agreement and the conversion to firm point-to-point transmission service provided for in Article V of this Agreement, shall become effective in two distinct phases: Phase 1, relating to 330 MW of the Colstrip Transmission Demand (the "Phase 1 Colstrip Transmission Demand"), shall become effective immediately upon the execution and delivery of this Agreement; and Phase 2, relating to the remaining 333 MW of the Colstrip Transmission Demand (the "Phase 2 Colstrip Transmission Demand"), shall (except as otherwise provided in Article VI of this Agreement) become effective immediately upon the termination of the Transition Agreement.

ARTICLE III

ASSIGNMENT AND ASSUMPTION

3.01 Assignment

PSE hereby irrevocably transfers, conveys, assigns and sets over unto PPLM all of PSE's right, title and interest in, to and under the Existing Transmission Agreement with respect to the Phase 1 Colstrip Transmission Demand and the Phase 2 Colstrip Transmission Demand, to have and to hold the same forever, effective, in the case of each of the Phase 1 Colstrip Transmission Demand and the Phase 2 Colstrip Transmission Demand, in accordance with the provisions of Article II of this Agreement.

3.02 Assumption

PPLM hereby irrevocably accepts and assumes all of PSE's right, title and interest in, to and under the Existing Transmission Agreement with respect to the Phase 1 Colstrip Transmission Demand and the Phase 2 Colstrip Transmission Demand, and hereby assumes all of PSE's obligations (except as hereinafter set forth) under the Existing Transmission Agreement with respect to the Phase 1 Colstrip Transmission Demand and the Phase 2 Colstrip Transmission Demand, all effective, in the case of each of the Phase 1

Colstrip Transmission Demand and the Phase 2 Colstrip Transmission Demand, in accordance with the provisions of Article II of this Agreement. Accordingly, from and after such time as provisions of this Agreement become effective with respect to each of the Phase 1 Colstrip Transmission Demand and the Phase 2 Colstrip Transmission Demand as set forth in Article II, (a) PPLM shall have all rights of PSE under the Existing Transmission Agreement with respect to the Phase 1 Colstrip Transmission Demand and the Phase 2 Colstrip Transmission Demand, respectively, including any pre-existing rights on constrained paths, as if PPLM were the original party thereto in place of PSE, and (b) PSE shall have no further obligations or liabilities of any kind (except as hereinafter set forth) under the Existing Transmission Agreement with respect to the Phase 1 Colstrip Transmission Demand and the Phase 2 Colstrip Transmission Demand, respectively. All Liabilities of PSE under the Existing Transmission Agreement with respect to the Phase 1 Colstrip Transmission Demand arising and to be performed after provisions of this Agreement become effective with respect to the Phase 1 Colstrip Transmission Demand shall be treated as Assumed Liabilities under and in accordance with the provisions of the Asset Purchase Agreement. All Liabilities of PSE under the Existing Transmission Agreement with respect to the Phase 2 Colstrip Transmission Demand arising and to be performed after provisions of this Agreement become effective with respect to the Phase 2 Colstrip Transmission Demand shall be treated as Assumed Liabilities under and in accordance with the provisions of the Asset Purchase Agreement. Except as expressly provided in the preceding two sentences, PPLM shall have no responsibility or liability for, and PSE shall remain fully responsible and liable for, any and all Liabilities under or in connection with the Existing Transmission Agreement with respect to the Colstrip Transmission Demand, and any and all such Liabilities shall be treated as Retained Liabilities under and in accordance with the provisions of the Asset Purchase Agreement.

ARTICLE IV

EXISTING TRANSMISSION AGREEMENT AS COLSTRIP CONTRACT

PSE and PPLM hereby acknowledge and agree that the Existing Transmission Agreement is a "Colstrip Contract" within the meaning of such term as defined in Section 12.01(a) of the Asset Purchase Agreement, and shall be treated as a Colstrip Contract, within the meaning of the Asset Purchase Agreement, for all purposes under and in connection with this Agreement and the Asset Purchase Agreement.

ARTICLE V

CONVERSION TO POINT-TO-POINT TRANSMISSION SERVICE

In accordance with the provisions of the Letter of Consent, PPLM shall, after the execution of this Agreement by both parties and on the same day, enter into a Point-to-Point Transmission Service Agreement (the "Point-to-Point Transmission Agreement"), substantially in the form set forth in Appendix I to this Agreement. Effective immediately

after provisions of this Agreement become effective with respect to the Phase 1 Colstrip Transmission Demand, PPLM shall convert the transmission capacity under the Existing Transmission Agreement relating to the Phase 1 Colstrip Transmission Demand to firm point-to-point transmission service under Bonneville's Open Access Transmission Tariff and the Point-to-Point Transmission Agreement. Effective immediately after provisions of this Agreement become effective with respect to the Phase 2 Colstrip Transmission Demand, PPLM shall convert the transmission capacity under the Existing Transmission Agreement relating to the Phase 2 Colstrip Transmission Demand to firm point-to-point transmission service under Bonneville's Open Access Transmission Tariff and the Point-to-Point Transmission Agreement.

ARTICLE VI

RIGHTS AND OBLIGATIONS IN CONNECTION WITH ADVERSE ACTIONS

6.01. Covenant of PSE Not to Take or Permit Adverse Action

PSE covenants that it shall not take or omit to take any action, or cause any action to be taken, that could: (i) result in termination of the Existing Transmission Agreement relating to Phase 2 Colstrip Transmission Demand; (ii) prevent the provisions of this Agreement from becoming effective with respect to the Phase 2 Colstrip Transmission Demand; or (iii) in any way diminish the rights to be assigned or enlarge the obligations to be assumed under this Agreement ("Adverse Action").

6.02. Rights and Obligations in Event of Adverse Action

PSE shall immediately upon receipt forward to PPLM by fax or overnight delivery any notice or communication received from Bonneville concerning any actual or alleged breach of or default under the Existing Transmission Agreement, and shall likewise promptly notify PPLM of any other event or condition actually known to PSE that will lead to an Adverse Action. Upon receipt of such notice from PSE or such notice from Bonneville as may reasonably lead PPLM to conclude that an Adverse Action will occur unless PSE cures such breach or default or otherwise acts such that the Adverse Action will not occur, then PPLM shall so notify PSE, and, if such breach or default of the Existing Transmission Agreement is not disputed by PSE under Section 20 of Bonneville's General Wheeling Provisions or otherwise, or if PSE does not act such that the Adverse Action will not occur, then the assignment of rights to, and assumption of obligations by, PPLM as contemplated in this Agreement with respect to the Phase 2 Colstrip Transmission Demand shall become effective upon Bonneville's receipt of written notice from PPLM (which notice shall be sent by PPLM simultaneously to PSE and Bonneville) stating that PPLM, acting pursuant to this Section 6.02, is electing to effect such earlier assignment. PSE (without waiving any rights which it may have against PPLM) and PPLM hereby agree that Bonneville may treat such notice as rendering the provisions of this Agreement relating to the Phase 2 Colstrip Transmission Demand immediately effective, regardless of any dispute between PPLM and

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Letter of Consent

PSE General Transmission Agreement to PP&L Montana, LLC

May 28, 1999

PSE as to whether such provisions have become effective; and they further agree that Bonneville shall have no obligation to make any inquiry or investigation with respect to such notice, and shall have no liability whatsoever for or in connection with such notice or any action taken by Bonneville pursuant to such notice. PSE acknowledges that in the event of any breach of this Agreement, remedies at law may be inadequate and, in addition to any other rights and remedies PPLM may have, PPLM will be entitled to any injunctive and other equitable relief that PPLM may seek to enforce the provisions of this Agreement.

ARTICLE VII

MISCELLANEOUS

7.01 Notices

All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) to the parties at the following addresses or facsimile numbers:

If to PPLM, to:

PP&L Montana, LLC
c/o PP&L Global, Inc.
11350 Random Hills Road, Suite 400
Fairfax, Virginia 22030
Facsimile No.: (703) 293-2659
Attn: Vice President and Chief Counsel

with a copy to:

Winthrop, Stimson, Putnam & Roberts
One Battery Park Plaza
New York, New York 10004-1490
Facsimile No.: (212) 858-1500
Attn: David P. Falck

If to PSE, to:

Puget Sound Energy, Inc.
411 - 108th Avenue N.E.
OBC-15
Bellevue, WA 98004-5515
Facsimile No.: (425) 462-3300
Attn: William A. Gaines

with a copy to:

Puget Sound Energy, Inc.
411 - 108th Avenue N.E.
OBC-15
Bellevue, WA 98004-5515
Facsimile No.: (425) 462-3300
Attn: Kimberly Harris

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this section, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this section, be deemed given upon receipt, and (iii) if delivered by mail in the manner described above to the address as provided in this section, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice, request or other communication is to be delivered pursuant to this section). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party hereto.

7.02 Entire Agreement

This Agreement and the exhibits executed and delivered pursuant to this Agreement supersede all prior discussions and agreements between the parties with respect to the subject matter hereof and thereof, and contain the sole and entire agreement between the parties hereto with respect to the subject matter hereof and thereof.

7.03 Expenses

Except as otherwise expressly provided in this Agreement, and whether or not the transactions contemplated hereby are consummated, each party will pay its own costs and expenses incurred in connection with the negotiation, execution and closing of this Agreement and the transactions contemplated hereby. All fees and charges of Governmental or Regulatory Authorities shall be borne by the party incurring such fee or charge, provided that all fees, charges and costs of any experts jointly retained by the parties in connection with any submissions to Governmental or Regulatory Authorities shall be borne one-half by each party.

7.04 Regulatory Approval

PSE will take all such reasonable steps as are necessary or desirable, and proceed diligently and in good faith to use all reasonable efforts, at the earliest commercially practical dates, to make all filings with and to give all notices to, and to obtain all consents, approvals or actions of, any Governmental or Regulatory Authorities for or in connection with the performance of this Agreement and the transactions contemplated hereby. PPLM agrees to provide such information and communications to any such Governmental or Regulatory Authorities as any such Governmental or Regulatory Authorities may reasonably request in connection with obtaining any such regulatory consents, approvals or actions.

7.05 Amendment

This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party hereto.

7.06 No Third Party Beneficiary

The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third party beneficiary rights upon any other Person other than any Person entitled to indemnity under Article X of the Asset Purchase Agreement.

7.07 Headings

The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof. Neither party shall be deemed to have been the drafter of this Agreement, which is the product of detailed, arm's-length negotiations between the parties and their respective counsel.

7.08 Invalid Provisions

If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

7.9 Governing Law

This Agreement shall be governed by and construed in accordance with the Laws governing the construction of the Existing Transmission Agreement.

7.10 Counterparts

This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each party as of the date first above written.

PP&L MONTANA, LLC

By: _____
Name:
Title:

PUGET SOUND ENERGY, INC.

By: _____
Name:
Title:

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Letter of Consent
PSE General Transmission Agreement to PP&L Montana, LLC
May 28, 1999

APPENDIX I

[FORM OF POINT-TO-POINT TRANSMISSION SERVICE AGREEMENT BETWEEN
BONNEVILLE AND PPLM]

GENERAL TRANSMISSION AGREEMENT
entered into by the
UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
acting by and through the
BONNEVILLE POWER ADMINISTRATION
and
PUGET SOUND POWER & LIGHT COMPANY

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This GENERAL TRANSMISSION AGREEMENT (Agreement) is entered into as of _____, 1994, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville), and PUGET SOUND POWER & LIGHT COMPANY (Company), a corporation of the State of Washington. Each of Bonneville and the Company is

sometimes referred to in this Agreement as "Party"; both of Bonneville and the Company are sometimes referred to in this Agreement as "Parties".

W I T N E S S E T H :

WHEREAS Bonneville and the Company on August 27, 1982, entered into Contract No. DE-MS79-81BP90426, as amended and replaced to the date hereof; and

WHEREAS Bonneville and the Company have entered into Letter Agreement No. DE-MS79-91BP93160 (Letter Agreement) which contemplates a new General Transmission Agreement (IR Agreement) for integration of resources and for certain other contractual arrangements, and Bonneville and the Company intend this Agreement to be the IR Agreement contemplated by the Letter Agreement; and

WHEREAS the Parties have entered into the following agreements for transmission of Electric Power (collectively referred to herein as Prior Agreements): Contract No. DE-MS79-88BP92292, providing transmission service for the Company's share of the electric output of the Centralia Project; Contract No. DE-MS79-81BP90169, providing transmission service for the Company's share of the electric output of the Colstrip Thermal Generating Plant; and Contract No. DE-MS79-92BP93741, providing transmission service for a portion of the electric output of Montana Power Company's Colstrip # 4; and

WHEREAS Bonneville and the Company desire to terminate the Prior Agreements and replace the Prior Agreements with this Agreement; and

WHEREAS Bonneville recognizes that the Company's Tono Transmission Facilities have a design capacity of 400 MW, but due to parallel path and other considerations, the Parties desire to transmit Electric Power pursuant to the terms of this Agreement; and

WHEREAS the Company and The Washington Water Company (WWP) have entered into an agreement pursuant to which WWP exchanges 197 MW of Electric Power from the Centralia Project, located in Centralia, Washington, with the Company for an equal amount of Electric Power from the Colstrip Thermal Generating Plant, located in Colstrip, Montana, and the Company intends to enter into an amendment or replacement of such exchange agreement with WWP; and

WHEREAS Bonneville and the Company, concurrently with the effectiveness of this Agreement, have entered into a Pacific Northwest (PNW) AC Intertie Capacity Ownership Agreement, Contract No. DE-MS79-94BP94521, (Capacity Ownership Agreement) which, among other things, provides for ownership by the Company of a portion of the capability of Bonneville's PNW AC Intertie (as defined in the Capacity Ownership Agreement); and

WHEREAS the Parties desire to provide in this Agreement for, among other things, the transmission over the Federal Columbia River Transmission System, to and from the Company's transmission system, of Electric Power scheduled for transmission over the PNW AC Intertie pursuant to the Capacity Ownership Agreement; and

WHEREAS Bonneville is authorized pursuant to law to dispose of Electric Power generated at various Federal hydroelectric projects in the PNW or acquired from other resources; to construct and operate transmission facilities; to provide transmission and other services; and to enter into agreements to carry out such authority;

NOW, THEREFORE, the Parties agree as follows:

1. TERM OF AGREEMENT

- (a) This Agreement shall be effective at 2400 hours on the latest of (1) the date of execution and delivery of this Agreement; (2) the earliest date on which the Company may exercise its Capacity Ownership Rights (as defined in the Capacity Ownership Agreement) pursuant to the Capacity Ownership Agreement; and (3) the date by which this Agreement has, with respect to the Company, been approved, accepted for filing or otherwise permitted to become effective by FERC; provided, that if FERC approves or accepts for filing this Agreement, or otherwise permits this Agreement to become effective with any change or new condition, this Agreement shall not be or become effective unless both of the Parties have agreed in writing, and until the date by which both of the Parties have so agreed, to such change or new condition (such latest date, the Effective Date). This Agreement shall continue in effect until 2400 hours on July 31, 2014; provided,

however, that all liabilities accrued under this Agreement shall be preserved until satisfied.

- (b) One (1) year prior to the expiration of this Agreement, Bonneville shall offer to provide to the Company transmission services as provided hereunder, on terms and conditions consistent with the terms and conditions for such transmission services being offered at that time by Bonneville to other Bonneville customers similarly situated.
- (c) If the Total Transmission Demand is reduced to zero pursuant to the terms and provisions of Agreement 10(c), the Company may, subject to satisfaction of all obligations accrued hereunder and completion of all notice periods specified in section 10(c), terminate this Agreement by written notice of such termination to Bonneville.
- (d) The Company may terminate this Agreement or any Transmission Demand under this Agreement upon 1-year's prior written notice of such termination to Bonneville if Bonneville discontinues application of cost-based rates for service provided under this Agreement.

2. TERMINATION OF PRIOR AGREEMENTS

- (a) The Prior Agreements are hereby terminated as of 2400 hours on the Effective Date but all liabilities accrued thereunder to the Effective Date are hereby preserved until satisfied.
- (b) Contract No. DE-MS79-91BP93053 (Intertie and Network Transmission Agreement) shall terminate as of 2400 hours on the Effective Date but all liabilities accrued thereunder to the Effective Date are hereby preserved until satisfied; provided, that the penultimate sentence of section 5(b) of such contract shall not be applicable for seasons during which such contract terminates pursuant to this Agreement.

3. DEFINITIONS AND EXPLANATION OF TERMS

- (a) “Connecting Transmission” means, with respect to a Resource integrated at a Point of Integration, transmission service or facilities needed or used for transmission of such Resource to such Point of Integration for transmission under this Agreement.
- (b) “DC Intertie” means Bonneville’s rights in the 1000 kV direct current (DC) transmission line, and associated substation facilities, extending from the Government’s Big Eddy Substation to the Nevada-Oregon Border.
- (c) “Eastern Intertie” means the transmission facilities consisting of the Townsend-Garrison double-circuit 500 kV transmission line segment, including related terminals at the Garrison Substation.
- (d) “Electric Power” or “Power” means electric peaking capacity, expressed in kilowatts, or electric energy, expressed in kilowatthours, or both.
- (e) “FCRTS” or “Federal Columbia River Transmission System” means the transmission facilities of the Federal Columbia River Power System, which include all transmission facilities owned by the Government and operated by Bonneville, and other facilities over which Bonneville has obtained transmission rights.
- (f) “FERC” means the Federal Energy Regulatory Commission or its regulatory successors.
- (g) “Montana Intertie Agreement” means Contract No. DE-MS79-81BP90210 between Bonneville and the Company, as amended.
- (h) “Operational Constraints” means limitations on the ability of the FCRTS to operate due to any system emergency, loading condition, or maintenance outage with respect to Bonneville facilities, or the facilities of an interconnected utility, that make it prudent to reduce system loadings consistent with Prudent Utility Practice, whether or not all facilities are in service.

- (i) “PNW AC Intertie” has the meaning set forth in the Capacity Ownership Agreement.

- (j) “Point of Delivery” means:
- (1) any of the points set forth in Exhibit C, Part B, where Electric Power shall be made available to the Company pursuant to this Agreement; and
 - (2) any other point mutually agreed upon by the Parties where Electric Power shall be made available to the Company pursuant to this Agreement.
- (k) “Point of Integration” means:
- (1) any of the points set forth in Exhibit C, Part A, where Electric Power from Resources shall be integrated into the FCRTS pursuant to this Agreement; and
 - (2) any other point mutually agreed upon by the Parties where Electric Power from Resources may be made available to Bonneville for nonfirm transmission to any of the Points of Delivery pursuant to this Agreement.
- (l) “Prudent Utility Practice” means, at any particular time, the generally accepted practices, methods, and acts in the electrical utility industry in the Western Systems Coordinating Council area immediately prior to such time that would achieve the desired result or, if there are no such practices, methods, and acts, then the practices, methods and acts which, in the exercise of reasonable judgment in the light of facts known at the time the decision was made, could have been expected to accomplish the desired result consistent with reliability and safety.
- (m) “Resource” means:
- (1) any Electric Power from a source set forth in Exhibit C, Part A; and
 - (2) any Electric Power transmitted over the PNW AC Intertie pursuant to the Capacity Ownership Agreement and made available to

Bonneville at the John Day Substation Point of Integration. Upon request by Bonneville, the Company shall identify the source of such Electric Power; provided, however, that if such Electric Power can only be identified as a system sale, then the Company shall be obligated pursuant to this section 3(m)(2) to identify only the utility generating such Electric Power; and

- (3) any Electric Power (i) which the Company has a right to receive, and (ii) for which nonfirm transmission service is requested by the Company on the FCRTS, and (iii) the Electric Power from which is made available to Bonneville at one or more of the Points of Integration; and
- (4) any other Electric Power for which nonfirm transmission service is requested by the Company for the purpose of providing station service to any of the Company's sources of Electric Power interconnected with the FCRTS, and which Electric Power is made available to Bonneville at any of the Points of Integration.

- (n) "Total Power Wheeled" means with respect to any hour the sum of the Electric Power made available to Bonneville during such hour for transmission on the FCRTS pursuant to this Agreement, including but not limited to section 7, at all Points of Integration.
- (o) "Total Transmission Demand" means the sum of the Company's Transmission Demands.
- (p) "Transmission Demand" with respect to any Point of Integration, means the maximum firm transmission capacity (expressed in kilowatts) as set forth in Exhibit C, Part A, which Bonneville shall be obligated pursuant to this Agreement to have available at such Point of Integration during any hour for the purpose of integrating into the FCRTS any Resource. The level of each Transmission Demand, with respect to each Point of Integration set forth in Exhibit C, Part A, (except for the John Day Substation Point of Integration). shall be based on the hourly peak

capability of the source(s) of Electric Power listed in Exhibit C, Part A, to be integrated into the FCRTS at such Point of Integration.

- (q) “Use-of-Facilities Charge” means the charges, if any, specified in Exhibit C, applicable to Points of Integration and Points of Delivery for the purpose of recovering the cost of identifiable facilities provided by Bonneville for the Company’s use. Such charges and their application shall be consistent with the Use-of-Facilities Transmission Rate Schedule, contained in Exhibit A, and shall, subject to section 9(c), also be consistent with Bonneville’s Customer Service Policy.
- (r) “Use Limit” means with respect to any Point of Delivery the amounts (in kilowatts) set forth in Exhibit C, Part B, corresponding to such Point of Delivery.
- (s) “Northern Intertie” means that segment of the FCRTS assigned by Bonneville for Bonneville transfer capability at the United States-Canada border.
- (t) “Workday” means any day which both of the Parties observe as a regular workday.

4. EXHIBITS; INTERPRETATIONS

Exhibits A, B, C, and D (Exhibits) attached hereto are by this reference incorporated into and made a part of this Agreement. The Parties agree that "contract body" as used in section 1 of Exhibit B shall mean sections 1 through 12 of this Agreement. The provisions of section 38 of the General Wheeling Provisions (GWP Form-4R), require that Bonneville provide a notice consistent with a minimum notice period prior to a Rate Adjustment Date (as defined in Exhibit B). If the rates set forth in or applicable to this Agreement are disapproved or if conditions are placed on such rates by FERC, Bonneville shall not be required to give such notice prior to resubmitting the rates to FERC or implementing FERC approved rates. The headings used in this Agreement are for convenient reference only, and shall not affect the interpretation of this Agreement. The Company shall be deemed to be the “Transferee” and Bonneville

shall be deemed to be the "Transferor" referred to in the General Wheeling Provisions, Exhibit B.

5. TRANSMISSION OF ELECTRIC POWER

- (a) Bonneville shall, during each hour of the term of this Agreement, make an amount of Electric Power equal to the Total Power Wheeled available to the Company at one or more of the Points of Delivery, subject to sections 5(a)(1) through 5(a)(5) below. In the event that service hereunder must be curtailed due to Operational Constraints, Bonneville's obligation to mitigate the effects of such curtailment are set forth in section 5(e) below and in section 12 of Exhibit B, (except to the extent that such section 12 conflicts with sections 1 through 12 of this Agreement), and in footnote 3 of Exhibit C, Part A, and Bonneville shall have no other obligation to mitigate the effects of such curtailment pursuant to this Agreement.
- (1) Bonneville may, but shall not be obligated to, integrate into the FCRTS during any hour amounts of Electric Power to the extent that such amounts exceed the Total Transmission Demand.
- (2) Firm transmission capability of the FCRTS between the Company's system and John Day Substation shall, notwithstanding any Operational Constraints or any other constraint on the ability of the FCRTS to operate, be deemed to exist during any hour (i) for north-to-south transmission, in an amount equal to the Company's Total Transmission Demand, and (ii) for south-to-north transmission, in an amount equal to the Company's Transmission Demand for the John Day Substation Point of Integration. The net of the Company's schedules in a north-to-south direction and in a south-to-north direction during any hour shall be used to determine use of such transmission. The Company shall be billed for transmission of Electric Power for such hour pursuant to the provisions of section 6.
- (3) Bonneville may, but shall not be obligated to, integrate at a Point of Integration during any hour, amounts of Electric Power to the

extent that such amounts exceed the Transmission Demand at such Point of Integration.

- (4) Bonneville may, but shall not be obligated to, integrate Electric Power other than Resources set forth in Exhibit C, Part A, provided that the Points of Integration for such Electric Power have been mutually agreed upon by the Parties pursuant to this Agreement.
 - (5) Notwithstanding anything to the contrary set forth in this Agreement, Bonneville shall not withhold its agreement (A) to any point proposed by the Company as a Point of Integration pursuant to section 3(k)(2) or to any amount of Electric Power proposed by the Company to be integrated at such point or (B) to integrate at any Point of Integration set forth in Exhibit C, Part A, amounts of Electric Power in excess of the Transmission Demand with respect to such Point of Integration, except to the extent that (i) capacity of the facilities located at such point or at such Point of Integration, as the case may be, is not available due to Operational Constraints, or (ii) Bonneville requires the use of such capacity, or any portion thereof, for purposes of transmitting Bonneville nonfirm power; provided, however, that capacity at such point or at such Point of Integration, as the case may be, not required by Bonneville for transmission of Bonneville's nonfirm power shall be made available to the Company in an amount equal to the product of (x) the ratio of (i) the amount of Electric Power requested by the Company to be transmitted on a nonfirm basis at such point or such Point of Integration, as the case may be, to (ii) the total amount of Electric Power requested by entities other than Bonneville to be transmitted on a nonfirm basis at such point or such Point of Integration, as the case may be, and (y) the amount of capacity at such point or such Point of Integration, as the case may be, not required by Bonneville for transmission of Bonneville's nonfirm power.
- (b) The Parties' respective rights and obligations with respect to Bonneville's PNW AC Intertie are set forth in the Capacity Ownership Agreement.

Nothing in this Agreement, including, without limitation, delivery by Bonneville of Power at the John Day Substation Point of Delivery, or integration of Power into the FCRTS at the at John Day Substation Point of Integration is intended by the Parties to limit, alter, add to or otherwise affect the respective rights and obligations of the Parties pursuant to the Capacity Ownership Agreement. Nothing in this Agreement, including, without limitation, delivery by Bonneville of Power at the Big Eddy Point of Delivery, is intended by the Parties to provide rights to use the DC Intertie. Nothing in this Agreement is intended by the Parties to limit, alter, add to or otherwise affect the respective rights and obligations of the Parties pursuant to the Montana Intertie Agreement.

- (c) If the Company determines that it has an amount of Electric Power available during any hour for nonfirm transmission on the FCRTS, the scheduling and transmission of which would cause the Total Power Wheeled to exceed in such hour the Total Transmission Demand, the Company may request from Bonneville nonfirm transmission service for transmission on the FCRTS for such amount of Electric Power during such hour. Bonneville may provide such transmission service. The Company shall be billed for such transmission service pursuant to the provisions of section 6(d).
 - (1) The option pursuant to this section 5(c) to make available Electric Power for nonfirm transmission on the FCRTS by Bonneville shall not be used by the Company to avoid having a Total Transmission Demand which reasonably reflects the annual peak transmission needs of all of the sources of Electric Power set forth in Exhibit C, Part A, and the combined total annual peak demand for wheeling with respect to all of such sources of Electric Power which the Company regularly places on Bonneville. Bonneville shall have the right to refuse to provide the Company transmission service on a nonfirm basis to the extent Bonneville determines consistent with this section 5(c)(1), that the Transmission Demand at a Point of Integration should be increased.

- (2) To the extent Bonneville wheels, pursuant to this Agreement, any Electric Power of the Company's on the FCRTS in connection with a transaction which is exempt from wheeling charges or loss assessment at the time of actual transmission of such Electric Power, (such as any qualifying transaction under the Coordination Agreement (Contract No. 14-03-48221)), and which is subsequently converted to a sale other than under the terms of the Coordination Agreement, to an entity other than Bonneville, Bonneville shall have the right to retroactively (to the date of such conversion) bill the Company for such wheeling as nonfirm transmission service pursuant to Bonneville's Energy Transmission (ET-93) Rate Schedule in effect at the time such Electric Power was wheeled, or its successor rate schedule, and the provisions of section 6(d), and to assess losses consistent with this Agreement with respect to any Electric Power so wheeled in connection with such transaction unless billing or losses for such subsequent conversion is otherwise provided for under another agreement to which Bonneville is a Party. Such qualifying transactions shall not be subject to sections 5(c)(1) above and 5(c)(3) below.
- (3) Except for any Electric Power made available by the Company for nonfirm transmission pursuant to this section 5(c), amounts of Electric Power wheeled hereunder from a Point of Integration which exceed the Transmission Demand at such Point of Integration shall be subject to billing as a Ratchet Demand in accordance with section 6(b). To the extent the Energy Transmission Rate Schedule (ET-93), or its successor rate schedule, is applied, a Ratchet Demand shall not be applied.
- (d) To compensate Bonneville for losses incurred in providing transmission services pursuant to this Agreement, the Company shall make available to Bonneville at one or more Points of Delivery (unless otherwise mutually agreed between the Parties), on the corresponding hour 168 hours later or on another hour mutually agreed upon by the Parties, an amount of Electric Power equal to the product of (1) the amount of Electric Power (expressed in megawatthours) for which transmission service is provided

to the Company during a given hour pursuant to sections 5(a) and 5(c), and (2) the appropriate loss factor set forth in Exhibit D.

- (e) Bonneville shall, if requested by the Company to do so and if it is within Bonneville's capability to do so without adversely affecting performance of its other obligations, make replacement Electric Power available to the Company hereunder, without additional cost to the Company except as provided in this subsection, if Electric Power cannot be made available by the Company to Bonneville pursuant to this Agreement solely because of (i) limitations on the ability of the FCRTS to operate due to any system emergency, loading condition, or maintenance outage with respect to Bonneville facilities that makes it prudent to reduce system loadings consistent with Prudent Utility Practice, whether or not all facilities are in service; or (ii) suspension or interruption of, or interference with, the operation of the FCRTS; or (iii) both. The Company shall, at Bonneville's option:
- (1) reimburse Bonneville for any cost or loss of revenue incurred by Bonneville in making such replacement Electric Power available;
 - (2) replace all or a portion of such replacement Electric Power with the Company's Electric Power at a time and place agreed upon by the Parties prior to delivery; or
 - (3) reimburse and replace pursuant to sections 5(e)(1) and 5(e)(2) above in amounts determined by Bonneville which in total are equivalent in value to (A) the cost or loss of revenue incurred by Bonneville in making replacement Electric Power available to the Company pursuant to this section 5(e) or (B) the Electric Power made available by Bonneville pursuant to this section 5(e).

The method to replace or reimburse shall be specified by Bonneville at the time of the Company's request for replacement Electric Power. The Company shall have the right to withdraw such request for replacement Electric Power, prior to delivery thereof and prior to Bonneville's

incurring any cost therefor, after Bonneville specifies the method to replace and/or the amount to reimburse pursuant to this section 5(e).

- (f) The Company shall not use its rights under this Agreement to provide wheeling to another entity if such wheeling is inconsistent with the Company's rights in the PNW AC Intertie Capacity Ownership Agreement, Contract No. DE-MS79-94BP94521.
- (g) Bonneville shall give the Company notice of any likely or actual occurrence or existence of (i) any Operational Constraint and (ii) any suspension or interruption of, or interference with, the operation of the FCRTS, to the extent that the same affects the provision of service by Bonneville with respect to any Point of Integration or Point of Delivery pursuant to this Agreement. Such notice shall be given as promptly as practicable by Bonneville.

6. PAYMENT BY THE COMPANY

As full compensation for services provided under sections 5(a) and 5(c), the Company shall pay Bonneville each month during the term hereof, amounts determined in accordance with Exhibit A and Exhibit C, and as follows:

- (a) For integration of Electric Power pursuant to section 5(a), the Company shall, subject to sections 5(b), 5(c), and 5(d), pay Bonneville in accordance with the Integration of Resources Transmission Rate Schedule (IR-93), or its successor rate schedule, and, to the extent expressly provided in other provisions of this Agreement, in accordance with the Use-of-Facilities Rate Schedule (UFT-83), or its successor rate schedule; provided, that for the purposes of this Agreement, the term "scheduled" as used in Section III.B. of the Integration of Resources Transmission Rate Schedule (IR-93), or its successor rate schedule, shall mean or refer to any submission (or arrangement for submission) by the Company of any schedule or retroactive report pursuant to section 7 of this Agreement.
- (b) The billing demand shall be determined in accordance with the Integration of Resources (IR-93) Transmission Rate Schedule, or its successor rate schedule. Any Ratchet Demand that may occur is for billing purposes only

and does not constitute an increase in any Transmission Demand pursuant to section 10. Any continued service with respect to any Point of Integration pursuant to this Agreement at a level, to the extent that such level exceeds the Transmission Demand with respect to such Point of Integration, will depend on the availability of facilities for such purpose as reasonably determined by Bonneville.

- (c) The billing energy for each month pursuant to the Integration of Resources Transmission Rate Schedule (IR-93), or its successor rate schedule, and the Energy Transmission Rate Schedule (ET-93), or its successor rate schedule, shall be the sum of the greater of the hourly amounts of (A) kilowatthours scheduled from the Points of Integration to the Company's transmission system over Bonneville's transmission system hereunder, or (B) kilowatthours scheduled over Bonneville's transmission system hereunder from the Company's transmission system to the John Day Point of Delivery and the Big Eddy Point of Delivery.
- (d) The Company shall be billed for transmission of Electric Power up to an amount equal to the Total Transmission Demand pursuant to the Integration of Resources Transmission Rate Schedule (IR-93), or its successor rate schedule. To the extent the Total Transmission Demand is exceeded, the Company shall be billed for nonfirm transmission of Electric Power pursuant to the Energy Transmission Rate Schedule (ET-93), or its successor rate schedule. For transmission pursuant to section 5(c)(2), the Company shall be billed in accordance with the Energy Transmission (ET-93) Rate Schedule, or its successor rate schedule.

7. POWER SCHEDULING

The Company shall submit or arrange to have submitted to Bonneville by 1000 hours (Pacific Time) (or any other hour agreed upon by the Parties) of each Workday:

- (a) for the Resource referred to in section 3(m)(1), a retroactive report of the Electric Power made available to Bonneville for integration into the FCRTS during each hour of the immediately preceding Workday and of the

days other than a Workday (if any) succeeding such immediately preceding Workday;

- (b) for the Resources referred to in sections 3(m)(2), 3(m)(3) and 3(m)(4), a separate schedule of the Electric Power to be made available to Bonneville for integration into the FCRTS during each hour of the next succeeding Workday and of the days other than a Workday (if any) immediately preceding such next succeeding Workday; and
- (c) a separate schedule of the Electric Power to be made available to Bonneville for losses pursuant to section 5(d) during each hour of the next succeeding Workday and of the days other than a Workday (if any) immediately preceding such next succeeding Workday.

8. REACTIVE POWER

It is the intent of the Parties hereto that the voltage level at the Points of Integration and the Points of Delivery be controlled in accordance with Prudent Utility Practice. The Parties hereto shall jointly plan and operate their systems so as not to place an undue burden on the other Party to supply or absorb reactive power accompanying or resulting from deliveries of Electric Power hereunder.

9. REVISION OF EXHIBITS

- (a) The rate schedules included in Exhibit A shall be replaced by successor rate schedules adopted in accordance with the provisions of section 7(i) of the Pacific Northwest Power Act and FERC rules.
- (b) Bonneville may review Exhibit D and, no more frequently than once in a 12-month period commencing on the anniversary of the Effective Date, may revise such Exhibit to reflect any change in condition that would substantially affect the loss factor set forth in Exhibit D; provided, however, that any change to the loss factor pursuant to this Agreement
 - (1) shall be prospective only;

- (2) shall be made in an equitable manner so as to be consistent with such change in condition;
- (3) shall incorporate values which represent then current FCRTS operating conditions or incorporate any value, used in Exhibit D to calculate the losses, which has changed due to a change in methodology; and
- (4) shall in no event result in a loss factor that is greater than the loss factor which Bonneville is then applying with respect to any of its other customers for firm transmission under an Integration of Resources Transmission Agreement.

Any changes to Bonneville's loss methodology or formula, other than numerical values, shall be made only after consultation with the Company. During such consultation, Bonneville shall provide to the Company material used by Bonneville as a basis for such changes to such loss methodology or formula. Exhibit D as revised pursuant to this section 9(b) shall become effective as of the date specified therein; provided, however, that in no event shall such revised Exhibit D be effective sooner than the date on which the Company is notified by Bonneville in writing of such revision to Exhibit D.

- (c) No Use-of-Facilities Charges or any rates or charges other than charges pursuant to the Integration of Resources Transmission Rate Schedule (IR-93), or its successor rate schedule, or the Energy Transmission Rate Schedule (ET-93), or its successor rate schedule, shall be assessed pursuant to this Agreement for delivery from the C.W. Paul Substation, Garrison Substation, or John Day Substation Point of Integration to the Points of Delivery specified in Exhibit C, Part D, on the Effective Date, at levels of service specified in Exhibit C on the Effective Date, except if and to the extent that the Parties mutually agree that conditions have changed and that such charge is appropriate as a result of such change.
- (d) In the event Bonneville proposes any wheeling rate for transmission service on Bonneville's main grid that includes costs of the PNW

AC Intertie, the Eastern Intertie, the DC Intertie, or the Northern Intertie, such proposed rate shall include a credit or other mechanism that ensures that the Company is not charged any of the PNW AC Intertie, the Eastern Intertie, the DC Intertie, or the Northern Intertie costs for deliveries of power that utilize up to the capacity share of each such intertie, if any, to which the Company is entitled pursuant to other agreements with Bonneville.

10. ADDITION OR DELETION OF POINTS OF INTEGRATION AND POINTS OF DELIVERY AND CHANGES IN TRANSMISSION DEMANDS

- (a) Except as otherwise provided in section 10(b), Points of Integration and Points of Delivery shall be added and Transmission Demands shall be increased, subject to mutual agreement of the Parties, which agreement shall not be unreasonably withheld or delayed, and to Bonneville's determination of available transmission capacity, upon 3-months' prior written notice by the Company to Bonneville of such addition or increase; provided, that Points of Integration and Points of Delivery may not be added, and Transmission Demands may not be increased, more frequently than once during any 12-month period commencing on the anniversary of the Effective Date.
- (b) Transmission Demand associated with the John Day Substation Point of Integration may be increased upon prior written notice from the Company to Bonneville, to the extent that Bonneville has capacity in excess of its needs and obligations at such time, in an amount equal to an increase in the megawatt amount of the Company's Capacity Ownership Rights under the PNW AC Intertie Capacity Ownership Agreement in a south-to-north direction.
- (c) Points of Integration and Points of Delivery may be deleted and Transmission Demands may be reduced only upon the written request of the Company and, upon such request, only in accordance with the provisions of sections 10(c)(1) through 10(c)(5).

- (1) Except as otherwise provided in this section 10(c), Transmission Demands with respect to any individual Point of Integration may be reduced once (but no more frequently than once) in any 12-month period commencing on the anniversary of the Effective Date for any Point of Integration, it being understood that any such reduction shall be subject to section 10(c)(4) and shall be permitted pursuant to this Agreement only:
- (A) to the extent that the Company's right to receive any Resource set forth in Exhibit C, Part A, as being integrated at such Point of Integration (or right to Connecting Transmission for such Resource) is reduced or is eliminated or expires; or
 - (B) to the extent that the Company sells or assigns all or a portion of its share of a Resource integrated at such Point of Integration (or sells or assigns all or a portion of the Company's right to Connecting Transmission for such Resource); or
 - (C) to the extent of a permanent partial or total reduction in the Company's entitlement to a share of a Resource integrated at such Point of Integration (or partial or total reduction of the Company's right to Connecting Transmission for such Resource); or
 - (D) to the extent of any loss, destruction, abandonment, or sale of any of the facilities generating or transmitting a Resource integrated at such Point of Integration (or loss, destruction, abandonment, or sale of the Connecting Transmission for such Resource); or
 - (E) to the extent of the discontinuation of operation of any of the facilities generating or transmitting a Resource integrated at such Point of Integration (or discontinuation of the Connecting Transmission for such Resource) pursuant to a

final order of a public official having authority to issue such order; or

(F) with respect to the Garrison Substation Point of Integration, to the extent of the expiration of the Montana Intertie Agreement, including extensions thereof.

- (2) A Point of Integration may be deleted, upon 3-months' prior written notice by the Company of such deletion to Bonneville, but only after the Transmission Demand with respect to such Point of Integration has been reduced to zero pursuant to sections 10(c)(1) and 10(c)(5).
- (3) A Point of Delivery may be deleted, subject to mutual agreement of the Parties and to section 10(c)(4), upon 3-months' prior written notice by the Company of such deletion to Bonneville.
- (4) If, and to the extent that, any Use-of-Facilities charges are added to this Agreement pursuant to section 9(c), the terms and conditions related to such Use-of-Facilities charges shall be subject to the mutual written agreement of the Parties prior to the addition of such charges.
- (5) The Company shall provide Bonneville no less than 3-years' written notice of any decrease in a Transmission Demand, except as follows:
 - (A) The Company shall provide no less than 3-months' written notice of a decrease in Transmission Demand if there is an equal increase in Transmission Demand by another customer of Bonneville at the same Point of Integration resulting from the sale or assignment of a Resource, or of the facilities generating or transmitting a Resource, and involving no loss of revenue to Bonneville; or
 - (B) The Company shall provide written notice as soon as practicable, which would be effective on the later of the date such notice is received by Bonneville or the date stated in such notice, if such decrease in Transmission Demand is due

to any loss, destruction, or abandonment of any of the facilities generating or transmitting a Resource, or discontinuation of operation of a Resource under a final order of a public official having authority to issue such order, or if the Company's right to receive Electric Power is reduced or eliminated according to the terms of an agreement between the Company and another entity for such Electric Power.

- (6) Notwithstanding anything in this Agreement to the contrary, if the megawatt amount of the capability of the PNW AC Intertie to which the Company is entitled pursuant to the Capacity Ownership Agreement is at any time reduced, Transmission Demand with respect to the John Day Substation Point of Integration shall be concurrently reduced by a megawatt amount equal to such reduction with respect to the PNW AC Intertie upon prior written notice of such reduction by the Company to Bonneville.

- (d) Projected Company loads at each Point of Delivery shall be prepared, projected for 10 years, and forwarded to Bonneville by October 1, of each year. If, based on long-range power flow studies and actual system loadings, such projected loads are expected to exceed the Use Limits with respect to such Point of Delivery within the projected years, within a reasonable planning horizon for the facilities involved, the Company and Bonneville shall enter into joint discussions to:
 - (1) discuss how the Company plans to modify the load on Bonneville at such Point of Delivery to stay within the Use Limit;
 - (2) discuss the Company's plan for facility additions, revisions, or upgrades, which will increase capacity at such Point of Delivery;
 - (3) discuss Bonneville's plan for facility additions, revisions, or upgrades, which will increase capacity at such Point of Delivery; or

- (4) discuss the extent to which the capacity of facilities with respect to such Point of Delivery would be available so as to increase the Use Limit with respect to such Point of Delivery.

Prior to the implementation of any facility addition, revision or upgrade that increases capacity at a Point of Delivery as contemplated by this section 10(d), the Parties shall negotiate the allocation of costs for such facility addition, revision or upgrade, and the allocation of any increase in capacity at such Point of Delivery, each such allocation to be pursuant to then-existing FERC policies applicable to Bonneville and the Company, respectively, as such policies apply to cost and capacity allocations, subject to any other applicable statutory and regulatory requirements. The Company shall be assessed costs for studies conducted by Bonneville in connection with this section 10(d) consistent with the manner in which Bonneville assesses study costs to other Bonneville customers who receive transmission service pursuant to the Integration of Resources (IR) Transmission Rate Schedule, or its successor rate schedule; provided, that, in any event, the costs of any such study conducted by Bonneville in connection with this section 10(d) shall be equitably allocated among the Company, Bonneville and Bonneville's other customers based upon the respective system benefits derived by such parties as a result of such facility addition, revision or upgrade.

To the extent that other entities may receive system benefits from such facility addition, revision or upgrade, Bonneville shall invite such entities to participate in discussions with respect to cost allocation and system benefits referred to in this section 10(d).

- (e) When changes are made pursuant to this section, Bonneville shall incorporate such changes in a new Exhibit C as soon as practicable.

11. SPECIAL PROVISIONS

- (a) In recognition of the Company's existing agreement with Seattle City Light (Seattle) to wheel Electric Power from the Centralia Project, and notwithstanding anything in this Agreement to the contrary, the Company

may reduce the Transmission Demand with respect to the C.W. Paul Substation Point of Integration no more frequently than once in any 12-month period commencing on the anniversary of the Effective Date to the extent of any reduction in the amount of Electric Power that the Company is obligated pursuant to such agreement to wheel from the Centralia Project to Seattle. The Company shall provide 3-months' written notice to Bonneville of any decrease in such Transmission Demand pursuant to this subsection.

- (b) If the Company contracts hereafter with another entity, including Seattle, to transmit Electric Power over the Company's Tono Transmission facilities the Transmission Demand with respect to the C.W. Paul Point of Integration shall be increased in an amount equal to the amount transmitted by the Company for such other entity.

12. MISCELLANEOUS

- (a) Any notice, demand, request or other communication provided for in this Agreement, or served, given or made in connection with this Agreement, shall be given in writing (unless otherwise provided in this Agreement) and shall be deemed to be served, given or made upon receipt if delivered in person or sent by acknowledged delivery, or sent by registered or certified mail, postage prepaid, to the persons addressed as set forth below:

If to Bonneville:

The Bonneville Power Administration
905 NE. 11th Avenue
Portland, Oregon 97232
Attention: Group Vice President for Marketing, Conservation and
Production

If to Puget:

Puget Sound Power & Light Company
411 108th Avenue NE.
15th Floor
Bellevue, Washington 98005-5515
Attention: Vice President Power Planning

Either Party may change the address set forth above by giving the other Party written notice of such change in accordance with this section 12(a).

- (b) Except as may be expressly otherwise provided in this Agreement, this Agreement may be amended or modified only by a written agreement hereafter entered into by Bonneville and Puget, and no provision of this Agreement shall be varied or contradicted by any oral agreement, any course of dealing or performance or any other matter not hereafter set forth in a written agreement signed by both of the Parties.
- (c) The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be

construed in all respects as if such invalid or unenforceable provision were omitted.

- (d) Nothing contained in this Agreement shall be construed to create an agency, association, joint venture, trust or partnership covenant, obligation or liability on or with regard to either of the Parties. Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement. All rights and obligations of the Parties are several, not joint. No Party shall be deemed to control, to be under the control of, or to be the agent of, the other Party.
- (e) Nothing contained in this Agreement shall grant any rights to, or obligate either Party to provide, any services hereunder directly to or for retail customers of the other Party.
- (f) There are no third-party beneficiaries of this Agreement. This Agreement shall not be construed to create rights in, or grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.
- (g) Whenever it is provided in this Agreement that either Party shall determine or make a determination or judgment, or that any action, determination or judgment shall be in such Party's determination or judgment, the exercise of such determination or judgment shall be made solely by such Party and shall be final and not subject to challenge, so long as such Party exercises its

determination or judgment (a) in good faith and not arbitrarily or capriciously, and (b) consistent with Prudent Utility Practice.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement in several counterparts.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By /S/ PATRICK Mc Rae
Senior Account Executive

Name Patric Mc Rae
(Print/Type)

Date 12/1/94

PUGET SOUND POWER & LIGHT COMPANY

By /S/ J.R. LOCKHARTT

Name J.R. Lochhart
(Print/Type)

Title V.P.Power Planning

Date 12/1/94

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TRANSMISSION PARAMETERS

A. Points of Integration, Transmission Demands, Resources, and Use-of-Facilities Charges

<u>Point of Integration (Voltage)</u>	<u>Transmission Demand (kW)</u>	<u>Resource to be Integrated</u>	<u>Use-of-Facilities Charge \$/kW/mo</u>
1. C. W. Paul Substation (500 kV)	173,000	Electric Output of Centralia ^{1/}	0
2. Garrison Substation (500 kV)	466,000 ^{2/}	Electric Output of Colstrip Nos. 1-4 ^{2/}	0
3. Garrison Substation (230 kV)	94,000	Electric Output of Colstrip No. 4 ^{3/}	0
4. John Day Substation (500 kV)	300,000	Any Electric Power transmitted over the PNW AC Intertie pursuant to the Capacity Ownership Agreement.	0
Total Transmission Demand	1,033,000		

^{1/} The Transmission Demand with respect to this Resource shall be reduced to 100,000 kW on the effective date of the 197 MW (or lesser amount) of incremental Transmission Demand specified in footnote 2 below. Bonneville shall integrate at the C. W. Paul Substation Point of Integration, in an amount up to the

Transmission Demand with respect to such Point of Integration, shares of the Centralia Project Electric Power acquired by Puget from other entities. Bonneville shall integrate such Electric Power on the same basis that Bonneville integrates Electric Power from the Company's ownership share of the Centralia Project.

2/ Bonneville shall integrate at the Garrison Substation Point of Integration in an amount up to the Transmission Demand, Electric Power from Colstrip 1, 2, 3, and 4 acquired by Puget. Bonneville shall integrate at the Garrison Substation Point of Integration in an amount up to the Transmission Demand with respect to such Point of Integration, Electric Power from other resources, unless Bonneville determines that Electric Power from such other resources cannot be integrated due to Operational Constraints. Bonneville shall integrate such Electric Power on the same basis that Bonneville is obligated to integrate Electric Power from the Company's Colstrip ownership share. This provision does not increase or decrease any rights that the Company has pursuant to Contract No. DE-MS79-81BP90210 (Montana Intertie Agreement).

2/ **(Cont'd):**

In consideration of the Company's maintaining in effect with The Washington Water Power Company (WWP) until November 30, 1998, the Exchange Agreement, as amended or replaced, pursuant to which the Company exchanges 197 MW of its Colstrip Project generation for 197 MW of WWP's Centralia Project generation, Bonneville shall provide the Company beginning December 1, 1998, with a right to 197 MW of East-to-West incremental firm transmission service. At such time that the Company exercises such right, a Transmission Demand in the amount of 197 MW, or a lesser amount if so requested by the Company, shall be added to this Exhibit C, Part A, with respect to the Garrison Substation Point of Integration. To the extent of such Transmission Demand, Bonneville shall provide transmission service under this Agreement from the Garrison Substation Point of Integration to one or more of the Points of Delivery. The Company's right as provided for in this paragraph shall terminate if not exercised prior to November 30, 2000, or a later date determined by Bonneville. If the Company does not maintain in effect until November 30, 1998, the Exchange Agreement with WWP, pursuant to which the Company exchanges 197 MW of its Colstrip Project generation for 197 MW of WWP's Centralia Project generation, then upon the Company's request a Transmission Demand in the amount of 197 MW, or a lesser amount if so requested by the Company, shall be added to Exhibit C, Part A, with respect to the Garrison Substation Point of Integration; provided, however, that to the extent the transmission service Bonneville provides to the Company with respect to such 197 MW must be curtailed due to Operational Constraints, the Company shall receive a pro rata reduction in Demand Charge, and the Company shall not be assessed charges for energy pursuant to the Integration of Resources Transmission Rate Schedule (IR-93), or its successor rate schedule. If and to the extent the Company contracts with WWP to provide access across the "West-of-Hatwai Cutplane", (as defined in footnote 3 below), the Company will be assessed losses as if such Electric Power had flowed on the FCRTS; provided, that, notwithstanding the foregoing, Bonneville shall deliver on a firm basis to one or more Points of Delivery such 197 MW of Electric Power (or any lesser amount) as may be scheduled by the Company.

3/ If this Resource (94 MW Colstrip 4 purchase from Montana) cannot be made available to Bonneville due solely because of (i) Operational Constraints, including, without limitation, Western System Coordinating Council scheduling requirements, involving the West-of-Hatwai Cutplane, which do not involve an outage of transmission facilities; (ii) suspension or interruption of, or interference with, the operation of the FCRTS; or (iii) both, and it is within Bonneville's capability to do so without adversely affecting performance of its existing obligations on the Effective Date, then Bonneville shall, if requested by the Company, make replacement Electric Power available to the Company equal to the amount of such Resource the Company would have otherwise made available to Bonneville at the Garrison Substation Point of Integration and the Company shall at Bonneville's option: (1) reimburse Bonneville at Bonneville's Nonfirm Energy rate or Surplus Firm Energy rate when Bonneville is selling such energy; or (2) return replacement Electric Power 168 hours later or at a time and place agreed upon by Bonneville and the Company; or (3) reimburse

Bonneville for Bonneville's costs to obtain replacement Electric Power from third parties including associated wheeling and administrative fees. If Bonneville is unable to make replacement Electric Power available, then transmission services for this Resource under this Agreement shall be curtailed before any other firm wheeling contracts executed prior to the effective date of Contract No. DE-MS79-92BP93741, as amended or replaced, with the exception of Bonneville's Electric Power purchase from Basin Electric Power Cooperative (Basin). "West-of-Hatwai Cutplane" means the parallel transmission facilities consisting of the following transmission lines and facilities; Grand Coulee-Bell 230 kV lines 3 and 5, Grand Coulee-Bell 115 kV lines 1 and 2, Grand Coulee-Westside 230 kV line, Hatwai-Lower Granite 500 kV line, Hatwai-Lolo 230 kV line, Lind-Warden 115 kV line, Lolo 230/115 kV Transformer #1 and #2, Harrington-Odessa 115 kV line, Dry Gulch Transformer 115/69 kV, North Lewiston-Walla Walla 230 kV line, and the North Lewiston-Walla Walla 115 kV line which connect two areas of a power system. The provisions set forth in this footnote shall be void and of no force or effect after November 30, 1998.

B. Points of Delivery and Use Limits

<u>Point of Delivery</u> (Voltage)	<u>Use Limit</u> (kW) ^{1/}
Christopher Tap 230 kV	450,000 kW
Covington Substation 230 kV	880,000 kW ^{2/}
Custer Substation 230 kV	475,000 kW ^{3/ 8/}
Maple Valley Substation 230 kV	1,570,000 kW
Monroe Substation 230 kV	430,000 kW ^{4/}
Sedro Wooley Substation 230 kV	125,000 kW ^{8/}
White River Substation 230 kV	170,000 kW
Big Eddy Substation 230 kV ^{5/}	
John Day Substation 500 kV	400,000 kW ^{6/}
Fairmount Substation 69 kV (115 kV upon installation and energization of 115 kV facilities)	60,000 kW ^{7/}
Kitsap Substation 115 kV	410,000 kW
Olympia Substation 115 kV	270,000 kW
Bellingham Substation 115 kV	100,000 kW ^{8/}
Beverly Park Substation 115 kV	50,000 kW
C. W. Paul Substation 500 kV	280,000 kW
Sedro Woolley Tap 230 kV	265,000 kW ^{9/}

^{1/} Use Limits may be developed based on the rating of the Government's limiting facility at each Point of Delivery. These values are determined based on (A) the rating of the Bonneville facilities at the Point of Delivery, and (B) an allocation of such rating between (i) the Company's Use Limit under this Agreement at such Point of Delivery (including but not limited to any requested increases in such Use Limit) and (ii) other Bonneville uses but these values shall in any event, if requested by the Company in writing pursuant to this footnote be not less than the sum of contract demands at such Point of Delivery. Each numerical Use Limit set forth above indicates that for the Point of Delivery opposite such numerical Use Limit there is a limit (equal to such Use Limit) to the rate of delivery on a firm basis at such Point of Delivery that is available to the Company under this Agreement. The

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Company's Use Limit under this Agreement at any Point of Delivery may be increased pursuant to the provisions of section 10(d). The Use Limit under this Agreement at a Point of Delivery shall be decreased upon written request of the Company. Bonneville shall not unilaterally decrease any Use Limit. In the event it is determined that the total deliveries by Bonneville pursuant to all agreements between the Company and Bonneville which require deliveries of Electric Power to be made at a specific Point of Delivery may exceed the Use Limit for that Point of Delivery, and joint studies indicate a need for reinforcement, Bonneville and the Company will conduct and conclude the joint discussions described in section 10(d) within 6 months of the above determination, and implement any resulting plan as soon as is reasonably practicable. Under no circumstances, and notwithstanding anything to the contrary set forth in this Agreement, shall Use Limits, without the Company's prior written consent, be less than the transmission demands in effect under the Prior Agreements immediately prior to their termination pursuant to section 2(a).

-
- 2/ The Use Limit with respect to the Covington Substation Point of Delivery includes the Use Limits for the Christopher Tap and White River Substation Points of Delivery.
- 3/ The Use Limit with respect to the Custer Substation Point of Delivery includes the Use Limits for the Bellingham Substation and Sedro Woolley Substation Points of Delivery, and includes deliveries to Portal Way.
- 4/ The Use Limit with respect to the Monroe Substation Point of Delivery includes the Use Limits for the Sedro Woolley Tap and Beverly Park Substation Points of Delivery.
- 5/ Nothing in this Agreement or the Capacity Ownership Agreement provides the Company with rights to use the DC Intertie. Deliveries at this Point of Delivery are subject to available transmission capacity and any nonfirm rights the Company has on an hour to wheel Electric Power over the DC Intertie.
- 6/ If the megawatt amount of the capability of the PNW AC Intertie to which the Company is entitled pursuant to the Capacity Ownership Agreement is at any time increased or reduced, the Use Limit with respect to the John Day Substation Point of Delivery shall be concurrently increased or reduced by a megawatt amount equal to the such increase or reduction with respect to the PNW AC Intertie upon prior written notice of such increase or reduction by the Company to Bonneville.
- 7/ The Use Limit with respect to the Fairmount Substation Point of Delivery shall be increased to 70,000 kW upon installation and energization of 115 kV facilities at Fairmount Substation.
- 8/ The Use Limits for the Custer Substation, Sedro Woolley Substation and Bellingham Substation Points of Delivery will be adjusted, if necessary, to be consistent with the Bellingham Upgrade/Northern Intertie agreement.
- 9/ The Sedro Woolley Tap Point of Delivery is a temporary Point of Delivery, pursuant to the terms of Contract No. 14-03-64431. The provisions of Contract No. 14-03-64431 shall continue to apply to this Point of Delivery.

C. Calculation of Charges Pursuant to the UFT-83 Rate Schedule

<u>Facility</u>	<u>Investment</u>	<u>I&A Annual Cost Ratio</u>	<u>I&A Annual Cost</u>	<u>O&M Annual Cost</u>	<u>Sum of Non- Coincidental Demands</u>	<u>\$/kW/yr</u>	<u>Demand</u>
None							
Total UFT Charge =						0.00/kW/yr	kW
						\$0.00/kW/mo	

$$\text{Unit Charge} = \frac{(\text{I\&A Annual Cost}) + \text{O\&M Annual Cost}}{\text{Sum of Non-Coincidental Demands}} = \$/\text{kW yr.}$$

$$\text{Monthly Charge} = \frac{(\$/\text{kW yr}) (\text{Project Demand})}{12 \text{ months}} = \$/\text{mo.}$$

D. Description of Points of Integration and Points of Delivery

Note: These are definitions only. Designations of these points as either Points of Integration or Points of Delivery are in Part A or Part B of this exhibit.

1. Big Eddy Substation

Location: the points in the Government’s Big Eddy Substation where the line terminals of the Government’s Celilo Converter Station are connected to the 230 kV bus.

Voltage: 230 kV.

2. C.W. Paul Substation

Location: the points in the Government’s C.W. Paul Substation where the 500 kV facilities of the Government and the Centralia Thermal Project are connected;

Voltage: 500 kV;

Metering: at the Centralia Thermal Project, in the 20 kV circuits over which Electric Power flows.

Exception: There shall be an adjustment for losses between the Point of Integration and the metering point.

3. Christopher Tap

Location: the point on the Government's Covington-Tacoma 230 kV circuit over which Electric Power flows;

Voltage: 230 kV;

Metering: in the Company's O'Brien Substation, in the 230 kV circuit over which Electric Power flows;

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

4. Covington Substation

Location: the point in the Government's Covington Substation where the 230 kV facilities of the parties hereto are connected;

Voltage: 230 kV;

Metering: in the Government's Covington Substation in the 230 kV circuit over which Electric Power flows;

Exception: the integrated demands at the Covington and White River Point of Delivery's are totaled.

5. Custer Substation

Location: the point in the Government's Custer Substation in the 230 kV facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in the Government's Custer Substation in the 230 kV circuits over which Electric Power flows.

6. Garrison Substation

Location: the points in the Government's Garrison Substation where the line terminals of the Garrison-Townsend transmission lines are connected to the 500 kV bus;

Voltage: 500 kV;

Metering: in the Governments Garrison Substation in the 500 kV circuits over which Electric Power flows.

7. **John Day Substation**

Location: the points in the Government's John Day Substation where the line terminals of the Southern Intertie are connected to the 500 kV bus;

Voltage: 500 kV.

8. **Maple Valley Substation**

Location: the points in the Government's Maple Valley Substation where the 230 kV facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in the Government's Maple Valley Substation, in the 230 kV circuits over which Electric Power flows.

9. **Monroe Substation**

Location: the point in the Government's Monroe Substation where the Monroe-Sammamish No. 1 Line is connected;

Voltage: 230 kV;

Metering: in the Company's Sammamish Substation, in the 230 kV circuit over Electric Power flows; until such time as the Government's Sno-King tap is disconnected from the Monroe-Sammamish No. 1 Line and thereafter in the Government's Monroe Substation, in the 230 kV circuit over which such Electric Power will flow;

Exceptions: there shall be an adjustment for losses between the Point of Delivery and the metering point.

10. **Sedro Woolley Substation**

Location: the point at Structure No. 26/7 of the Government's Murray-Bellingham 230 kV Line where the facilities of the Parties hereto are connected;

Voltage: 230 kV;

Metering: in the Company's Sedro Woolley Substation, in the 230 kV circuits over which Electric Power flows;

Exceptions: the current and potential transformers are owned by Puget.

11. White River Substation

Location: the points in the Company's White River Substation where the 230 kV facilities of the Government and the Company are interconnected;

Voltage: 230 kV;

Metering:

- (1) the Government's Covington-White River No. 1 Line is metered at the Government's Covington Substation in the 230 kV circuit over which Electric Power flows;
- (2) the Government's Olympia-White River No. 1 Line is metered in the Company's White River Substation in the 230 kV circuit over which Electric Power flows;

Exception: there shall be an adjustment for losses between metering point (1) above, and the Point of Delivery.

12. (a) Fairmount Substation

Location: the point in the Government's Fairmount Substation where the 69 kV facilities (115 kV upon installation and energization) of the Parties are connected;

Voltage: 69 kV (115 kV upon installation and energization of such facilities);

Metering: in the Government's Fairmount Substation, in the 69 kV circuits (115 kV circuit upon installation and energization) over which Electric Power flows.

(b) Fairmount Substation

Location: the point in the Government's Fairmount Substation where the 69 kV facilities of Public Utility District No. 1 of Clallam County, Washington, and the Government are connected;

Voltage: 69 kV;

Metering: in the Company's Discovery Bay Substation, in the 12.5 kV circuit over which Electric Power is distributed by the Company.

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

13. Kitsap Substation

Location: the points in the Government's Kitsap Substation where the 115 kV facilities of the Parties hereto are connected;

Voltage: 115 kV;

Metering: in the Government's Kitsap Substation, in the 115 kV circuits over which Electric Power flows.

14. Olympia Substation

Location: the point in the Government's Olympia Substation where the 115 kV facilities of the Parties are connected;

Voltage: 115 kV;

Metering: in the Government's Olympia Substation, in the 115 kV circuits over which Electric Power flows.

15. Bellingham Substation

Location: the point in the Government's Bellingham Substation where the 115 kV facilities of the Parties are connected;

Voltage: 115 kV;

Metering: in the Government's Bellingham Substation, in the 115 kV circuits over which Electric Power flows.

16. Beverly Park Substation

Location: the point in the Snohomish's Beverly Park Substation where the 115 kV facilities of the Government and Snohomish are connected;

Voltage: 115 kV;

Metering: in Snohomish's Beverly Park Substation, in the 115 kV circuits over which Electric Power flows.

17. C. W. Paul Substation

Location: the point in the Government's C.W. Paul Substation where the 500 kV facilities of the Parties are connected;

Voltage: 500 kV;

Metering: in the Company's Tono Substation, in the 115 kV circuits over which Electric Power flows.

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

18. Sedro Woolley Tap

Location: the point at structure 5/2 at the Sedro Woolley Tap to the Monroe-Snohomish Line No. 1 where the 230 kV facilities of the Parties are connected;

Voltage: 230 kV;

Metering: in the Company's Sedro Woolley Substation, in the 230 kV circuits over which Electric Power flows.

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

TRANSMISSION LOSS FACTORS

A. Transmission Loss Factor to be Applied to Transmission Pursuant to the Integration of Resources (IR) Rate Schedule.

<u>Rate Schedule</u>	<u>Loss Factor</u>
IR-93	1.6% ^{1/}

B. Transmission Loss Factor to be Applied to Transmission Pursuant to the Energy Transmission (ET) Rate Schedule.

<u>Rate Schedule</u>	<u>Loss Factor</u>
ET-93	1.6% ^{1/}

^{1/} Bonneville reserves the right to change the Loss Factor in accordance with section 9(b).

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Resource Services

Resource service charges may be incorporated into Exhibit E as developed by Bonneville according to section 9(e) of this Agreement.

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Other Transmission Agreements Between the Parties

Contract Number	Point of Interconnection	Point(s) of Delivery	Resource	Expiration Date
DE-MS79-88BP92427	Valhalla Substation	Maple Valley Substation	Rock Island Project	06/30/07
DE-MS79-90BP92781	Spearfish Substation	Maple Valley Substation	North Dalles Fishway	12/31/12
DE-MS79-88BP92461	Westside Substation	Kitsap Substation	Spokane Region Solid Waste Disposal Project	02/28/11
14-03-45241	Douglas Switchyard	Monroe Substation	Wells Project	08/31/18
14-03-001-13439	Midway Substation	Maple Valley Substation	Priest Rapids	09/31/05
14-03-001-13574	Rocky Reach Switching Station	Monroe Substation White River Substation	Rocky Reach	Coterminous to <u>1/</u> Power Sales Agmt. w/ Chelan County
14-03-001-14502	Wanapum Switchyard	Maple Valley Substation	Wanapum	08/31/09
14-03-39361 (Exchange Agreement)	Vantage/Rocky Reach	Kitsap Substation	Vantage/Rocky Reach	10/31/09

1/ The Power Sales Agreement between the Utility and the Public Utilities District No. 1 of Chelan County (Chelan County) expires when the Series of 1956 Bonds and the Subsequent Series Bonds are paid/retired, or on 11/14/06, whichever is later.

This Exhibit C, Revision No. 4 accomplishes the following: (1) Deletes Section A(1) C.W. Paul Substation 500 kV Point of Integration and transfers 100 MWs to Puget’s Point-to-Point Service Agreement No. 06TX-12195 (PTP Agreement), Exhibit A, Table 1BM, Assign Ref 76041854, (2) Deletes Section A(3) Garrison Substation 230 kV Point of Integration and transfers 94 MWs to Puget’s PTP Agreement, Exhibit A, Table 1BL, Assign Ref 76041858, (3) updates the Point of Delivery Names in Section B, (4) deletes the C.W. Paul substation footnote, (5) updates the Description of Points of Integration and Points of Delivery in Section D, and (6) adds Section G, Signature.

TRANSMISSION PARAMETERS

A. POINTS OF INTEGRATION, TRANSMISSION DEMANDS, RESOURCES, AND USE-OF-FACILITIES CHARGES

<u>Point of Integration (Voltage)</u>	<u>Transmission Demand (kW)</u>	<u>Resource to be Integrated</u>	<u>Use-of- Facilities Charge \$/kW/mo.</u>
1. Garrison 500 kV	663,000	Electric Output of Colstrip Nos. 1-4 ^{1/}	0
2. John Day 500 kV	300,000	Any Electric Power transmitted over the PNW AC Intertie pursuant to the Capacity Ownership Agreement.	0
3. Covington 230 kV-PSEI	4,000	Electric output of PSE’s Fredrickson Project ^{2/}	
Total Transmission Demand	967,000		

^{1/} BPA shall integrate at the Garrison Substation Point of Integration in an amount up to the Transmission Demand, Electric Power from Colstrip 1, 2, 3, and 4 acquired by Puget Sound Energy, Inc.. BPA shall integrate at the Garrison Substation Point of Integration in an amount up to the Transmission Demand with respect to such Point of Integration, Electric Power from other resources, unless BPA determines that Electric Power from such other resources cannot be integrated due to Operational Constraints. BPA shall integrate such Electric Power on the same basis that BPA is obligated to integrate Electric Power from Puget Sound Energy, Inc.’s Colstrip ownership share. This provision does not increase or decrease any rights that Puget Sound Energy, Inc. has pursuant to Contract No. DE-MS79-81BP90210 (Montana Intertie Agreement), as amended or replaced. To the extent the transmission service BPA provides to Puget Sound Energy, Inc. with respect to 197 MW (or any lesser amount) of Electric Power integrated at the Garrison Substation Point of Integration must be curtailed due to Operational Constraints, Puget Sound Energy, Inc. shall receive a pro rata reduction in Demand Charge, and Puget Sound Energy, Inc. shall not be assessed charges for energy pursuant to the Integration of Resources Transmission Rate Schedule (IR-93), or its successor rate schedule. If and to the extent Puget Sound Energy, Inc. contracts with WWP to provide access across the “West-of-Hawai Cutplane”, Puget Sound Energy, Inc. will be

assessed losses as if such Electric Power had flowed on the FCRTS; provided, that, notwithstanding the foregoing, BPA shall deliver on a firm basis to one or more Points of Delivery such 197 MW of Electric Power (or any lesser amount) as may be scheduled by Puget Sound Energy, Inc.. “West-of-Hatwai Cutplane” means the parallel transmission facilities consisting of the following transmission lines and facilities; Grand Coulee-Bell 230 kV lines 3 and 5, Grand Coulee-Bell 115 kV lines 1 and 2, Grand Coulee-Westside 230 kV line, Hatwai-Lower Granite 500 kV line, Hatwai-Lolo 230 kV line, Lind-Warden 115 kV line, Lolo 230/115 kV Transformer #1 and #2, Harrington-Odesa 115 kV line, Dry Gulch Transformer 115/69 kV, North Lewiston-Walla Walla 230 kV line, and the North Lewiston-Walla Walla 115 kV line which connect two areas of a power system.

- 2/ BPA shall integrate at Covington Substation an amount of Electric Power equivalent to the amount of load served at PSE’s Clymer Substation, established herein in Part B of this Exhibit. Metered quantities of Electric Power delivered to Clymer Substation shall be deemed to be equal to the amounts of the Clymer Substation load schedule Electric Power integrated at Covington Substation. Until such time as Puget Sound Energy, Inc. incorporates this load into Puget Sound Energy, Inc.’s control area, Puget Sound Energy, Inc. shall submit load schedules each Workday for deliveries to be made at Clymer Substation for each succeeding day or days. Metering data for Electric Power actually delivered at Clymer Substation shall be made available to BPA by Puget Sound Energy, Inc. each subsequent day after such delivery. Periodically, the difference between load schedules and Puget Sound Energy, Inc.’s metered load at Clymer Substation will be trued-up by adjusting the amount subsequently prescheduled by Puget Sound Energy, Inc. for the following day or days.

B. POINTS OF DELIVERY AND USE LIMITS

<u>Point of Delivery (Voltage)</u>	<u>Use Limit (kW)</u> ^{1/}
Christopher Tap 230 kV	450,000
Covington 230 kV-PSEI	880,000 ^{2/}
Custer 230 kV-PSEI	475,000 ^{3/ 4/}
Maple Valley 230 kV-PSEM	1,570,000
Monroe 230 kV	430,000 ^{5/}
Sedro Woolley 230 kV	125,000 ^{4/}
White River 230 kV	170,000
Big Eddy 230 kV and 500 kV Celilo ^{6/}	
John Day 500 kV	400,000 ^{7/}
Fairmount 115 kV-PSE	70,000
Kitsap 115 and 230 kV	477,000 ^{8/}
Olympia 115 kV	270,000
Bellingham 115 kV	100,000 ^{4/}
Beverly Park 115 kV-PSEI	50,000
C. W. Paul 500 kV	280,000
Sedro Woolley Tap 230 kV	265,000 ^{9/}
Clymer 115 kV	5,000 ^{10/ 11/}

^{1/} Use Limits may be developed based on the rating of the Transmission Provider’s limiting facility at each Point of Delivery. These values are determined based on (A) the rating of the BPA facilities at the Point of Delivery, and (B) an allocation of such rating between (i) Puget Sound Energy, Inc.’s Use

Limit under this Agreement at such Point of Delivery (including but not limited to any requested increases in such Use Limit) and (ii) other BPA uses but these values shall in any event, if requested by Puget Sound Energy, Inc. in writing pursuant to this footnote be not less than the sum of contract demands at such Point of Delivery. Each numerical Use Limit set forth above indicates that for the Point of Delivery opposite such numerical Use Limit there is a limit (equal to such Use Limit) to the rate of delivery on a firm basis at such Point of Delivery that is available to Puget Sound Energy, Inc. under this Agreement. Puget Sound Energy, Inc.'s Use Limit under this Agreement at any Point of Delivery may be increased pursuant to the provisions of section 10(d). The Use Limit under this Agreement at a Point of Delivery shall be decreased upon written request of Puget Sound Energy, Inc.. BPA shall not unilaterally decrease any Use Limit. In the event it is determined that the total deliveries by BPA pursuant to all agreements between Puget Sound Energy, Inc. and BPA which require deliveries of Electric Power to be made at a specific Point of Delivery may exceed the Use Limit for that Point of Delivery, and joint studies indicate a need for reinforcement, BPA and Puget Sound Energy, Inc. will conduct and conclude the joint discussions described in section 10(d) within 6 months of the above determination, and implement any resulting plan as soon as is reasonably practicable. Under no circumstances, and notwithstanding anything to the contrary set forth in this Agreement, shall Use Limits, without Puget Sound Energy, Inc.'s prior written consent, be less than the transmission demands in effect under the Prior Agreements immediately prior to their termination pursuant to section 2(a).

- 2/ The Use Limit with respect to the Covington Substation Point of Delivery includes the Use Limits for the Christopher Tap and White River Substation Points of Delivery.
- 3/ The Use Limit with respect to the Custer Substation Point of Delivery includes the Use Limits for the Bellingham Substation and Sedro Woolley Substation Points of Delivery, and includes deliveries to Portal Way.
- 4/ The Use Limits for the Custer Substation, Sedro Woolley Substation and Bellingham Substation Points of Delivery will be adjusted, if necessary, to be consistent with the Bellingham Upgrade/Northern Intertie agreement.
- 5/ The Use Limit with respect to the Monroe Substation Point of Delivery includes the Use Limits for the Sedro Woolley Tap and Beverly Park Substation Points of Delivery.
- 6/ Nothing in this Agreement or the Capacity Ownership Agreement provides Puget Sound Energy, Inc. with rights to use the DC Intertie. Deliveries at this Point of Delivery are subject to available transmission capacity and any nonfirm rights Puget Sound Energy, Inc. has on an hour to wheel Electric Power over the DC Intertie.
- 7/ If the megawatt amount of the capability of the PNW AC Intertie to which Puget Sound Energy, Inc. is entitled pursuant to the Capacity Ownership Agreement is at any time increased or reduced, the Use Limit with respect to the John Day Substation Point of Delivery shall be concurrently increased or reduced by a megawatt amount equal to the such increase or reduction with respect to the PNW AC Intertie upon prior written notice of such increase or reduction by Puget Sound Energy, Inc. to BPA.
- 8/ This Use Limit at this amount depends on Puget Sound Energy, Inc. keeping its Vashon cable in service and available to meet load requirements on the Kitsap peninsula. Sections E and F to this exhibit address additional terms related to the Kitsap POD.
- 9/ The Sedro Woolley Tap Point of Delivery is a temporary Point of Delivery, pursuant to the terms of Contract No. 14-03-64431. The provisions of Contract No. 14-03-64431 shall continue to apply to this Point of Delivery.

- 10/ The Clymer Point of Delivery shall be subject to Ancillary Service charges, pursuant to BPA's 2002 Transmission and Ancillary Service Rate Schedules, as modified or replaced, until such time as Puget Sound Energy, Inc. incorporates this load into Puget Sound Energy, Inc.'s control area.
- 11/ Interchange schedules are required for the Clymer Point of Delivery, until such time as Puget Sound Energy, Inc. incorporates this load into Puget Sound Energy, Inc.'s control area.

C. CALCULATION OF CHARGES PURSUANT TO THE UFT-83 RATE SCHEDULE

<u>Facility</u>	<u>Investment</u>	<u>I&A Annual Cost Ratio</u>	<u>I&A Annual Cost</u>	<u>O&M Annual Cost</u>	<u>Sum of Non- Coincidental Demands</u>	<u>\$/kW/yr</u>	<u>Demand</u>
None							
Total UFT = Charge						0.00/kW/ yr \$0.00/k W/mo	kW
<u>Unit Charge</u>		=	<u>(I&A Annual Cost) + O&M Annual Cost</u>			=	\$/kW yr.
			Sum of Non-Coincidental Demands				
<u>Monthly Charge</u>		=	<u>(\$/kW yr) (Project Demand)</u>			=	\$/mo.
			12 months				

D. DESCRIPTION OF POINTS OF INTEGRATION AND POINTS OF DELIVERY

Note: These are definitions only. Designations of these points as either Points of Integration or Points of Delivery are in Part A or Part B of this exhibit.

1. Bellingham 115 kV

Location: the points in the Transmission Provider's Bellingham Substation, where the 115 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 115 kV;

Metering: in the Transmission Provider's Bellingham Substation, in the 115 kV circuits over which Electric Power flows.

2. **Beverly Park 115 kV-PSEI**

Location: the point in the Public Utility District No. 1 of Snohomish County's Beverly Park Substation, where the 115 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 115 kV;

Metering: in Snohomish's Beverly Park Substation, in the 115 kV circuits over which Electric Power flows.

3. **Big Eddy 230 kV Celilo and 500 kV Celilo**

Location: the points in the Transmission Provider's Big Eddy Substation, where the line terminals of the Transmission Provider's Celilo Converter Station are connected to the 230 and 500 kV bus;

Voltage: 230 kV and 500 kV.

4. **C.W. Paul Tono 500 kV-PSEM**

Location: the points in the Transmission Provider's C.W. Paul Substation, where the 500 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 500 kV;

Metering: The interchange meter is located in PSE's Tono Substation on the 115kV side of the 500/115kV transformer;

Metering Loss Adjustment: There shall be an adjustment for losses between the Point of Integration and the metering point.

5. **Christopher Tap 230 kV**

Location: the point on the Transmission Provider's Covington - Tacoma No. 2 - 230 kV line, where the facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 230 kV;

Metering: in the Puget Sound Energy's O'Brien Substation, in the 230 kV circuit over which Electric Power flows;

Metering Loss Adjustment: there shall be an adjustment for losses between the Point of Delivery and the point of metering.

6. Clymer 115 kV

Location: the point in the Transmission Provider's Ellensburg - Moxee 115 kV transmission line, where the facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 115 kV;

Metering: in the Puget Sound Energy's Clymer Substation in the 12.5 kV circuit over which Electric Power flows;

Metering Loss Adjustment: There shall be an adjustment for losses between the Point of Delivery and the point of metering;

Ratification of Prior Service: Commencing July 8, 2002 and prior to energization of the Puget Sound Energy's Clymer Substation, service to Puget Sound Energy has been and continues to be provided over distribution facilities of the City of Ellensburg (City) through the Transmission Provider's Ellensburg Substation, subject to the provisions of this Agreement. All obligations incurred thereto are preserved until satisfied;

Exception: BPA shall have dispatch jurisdiction of the 115 kV substation facilities (and associated equipment) owned by Puget Sound Energy's that constitute a continuous electrical path between the Transmission Provider's Ellensburg and Moxee Substations.

7. Covington 230 kV-PSEI

Location: the point in the Transmission Provider's Covington Substation, where the 230 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 230 kV;

Metering: in the Transmission Provider's Covington Substation in the 230 kV circuit over which Electric Power flows.

8. **Custer 230 kV-PSEI**

Location: the point in the Transmission Provider's Custer Substation where the 230 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 230 kV;

Metering: in the Transmission Provider's Custer Substation in the 230 kV circuits over which Electric Power flows.

9. **Fairmount 115 kV-PSE**

Location: the point in the Transmission Provider's Fairmount Substation, where the 115 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 115 kV;

Metering: in the Transmission Provider's Fairmount Substation, in the 115 kV circuits over which Electric Power flows;

Metering Loss Adjustment: there shall be an adjustment for losses between the Point of Delivery and the metering point;

Exception: Discovery Bay is served via transfer over facilities owned by Clallam Public Utility District.

10. **Garrison 500 kV**

Location: the points in the Transmission Provider's Garrison Substation where the line terminals of the Garrison-Townsend-Broadview lines are connected to the 500 kV bus from Northwestern Energy's system;

Voltage: 500 kV;

Metering: in the Transmission Provider's Garrison Substation in the 500 kV circuits over which Electric Power flows.

11. John Day Intertie 500 kV

Location: the points in the Transmission Provider's John Day Substation, where the line terminals of the Pacific AC Intertie are connected to the 500 kV bus;

Voltage: 500 kV.

12. Kitsap 115 kV

Location: the points in the Transmission Provider's Kitsap Substation, where the 115 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 115 kV;

Metering: in the Transmission Provider's Kitsap Substation in the 115 kV circuits over which Electric Power flows.

12. Kitsap 230 kV

Location: the point near the Transmission Provider's Kitsap Substation, at tower 32/5 on the Shelton - South Bremerton 230 kV Transmission line, where the 230 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 230 kV;

Metering: in Puget Sound Energy's South Bremerton Substation, in the 230 kV circuits over which Electric Power flows;

Metering Loss Adjustment: There shall be an adjustment for losses between the point of delivery and the point of metering.

13. Maple Valley 230 kV-PSEM

Location: the points in the Transmission Provider's Maple Valley Substation, where the 230 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 230 kV;

Metering: in the Transmission Provider's Maple Valley Substation, in the 230 kV circuits over which Electric Power flows.

14. **Monroe 230 kV**

Location: the point in the Transmission Provider's Monroe Substation, where the Monroe-Novelly Hill 230 kV line is connected. Puget Sound Energy, Inc. has capacity rights on this line pursuant to Contract No. 14-03-75628, terminating August.31, 2018;

Voltage: 230 kV;

Metering: in Puget Sound Energy's Novelly Hill Substation, in the 230 kV circuit over which Electric Power flows;

Metering Loss Adjustment: there shall be an adjustment for losses between the Point of Delivery and the metering point.

15. **Olympia 115 kV**

Location: the points in the Transmission Provider's Olympia Substation, where the 115 kV facilities of the Transmission Provider and Puget Sound Energy Inc. are connected;

Voltage: 115 kV;

Metering: in the Transmission Provider's Olympia Substation, in the 115 kV circuits over which Electric Power flows.

16. **Sedro Woolley 230 kV**

Location: the point at Structure No. 26/7 of the Transmission Provider's Murray-Custer 230 kV line, where the facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 230 kV;

Metering: in Puget Sound Energy's Sedro Woolley Substation, in the 230 kV circuits over which Electric Power flows;

Exceptions: the interchange meter and the current and potential transformers are owned by the Puget Sound Energy, Inc.

17. **Sedro Woolley Tap 230 kV**

Location: the point at structure 5/2 at the Sedro Woolley Tap to the Monroe-Snohomish Line No. 1 where the 230 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 230 kV;

Metering: in Puget Sound Energy's Horse Ranch Switching Station, in the 230 kV circuits over which Electric Power flows;

Metering Loss Adjustment: there shall be an adjustment for losses between the Point of Delivery and the metering point.

18. White River 230 kV

Location: the points in the Puget Sound Energy, Inc.'s White River Substation, where the 230 kV facilities of the Transmission Provider and Puget Sound Energy, Inc. are connected;

Voltage: 230 kV;

Metering: the Transmission Provider's South Tacoma-White River No. 1 Line is metered in Puget Sound Energy's White River Substation in the 230 kV circuit over which Electric Power flows.

E. KITSAP SUBSTATION POD TERMINATION CHARGE

Puget Sound Energy, Inc. agrees that if:

- (1) the reasonably expected total maximum transmission demand on BPA's transmission system for the Kitsap peninsula is reduced during the period prior to August 1, 2014, by new alternative Company owned transmission system additions to the Kitsap peninsula or is reduced during such period by Company-owned generation output in Kitsap County in excess of 10 MW capability; and
- (2) such transmission system additions or generation ownership is not required to fulfill an open access request or is not required pursuant to a final order of a public official having authority to issue such order, then Puget Sound Energy, Inc. will either:
 - (a) increase in an equivalent amount determined pursuant to Part E (1) above, its Total Transmission Demand, through July 31, 2014, on BPA's transmission system to points to which BPA has available transmission capability; or
 - (b) pay BPA a pro rata charge equal to the product of the following:
 - (i) eighty per cent of BPA's then depreciated investment as specified in Part F of this Exhibit C, Depreciation Investment Methodology multiplied by

- (ii) a fraction, the denominator of which is equal to 410 MW and the numerator of which is equal to the lesser of:
 - (A) the reduction in such reasonably expected total maximum transmission service due to such transmission system additions by Puget or such generation ownership by Puget; and
 - (B) 410 MW.
- (3) Such termination charge shall not in any event be assessed to Puget Sound Energy, Inc. if and to the extent:
 - (a) the Parties mutually so agree; or
 - (b) BPA provides an equivalent amount of transmission service to an entity other than Puget over the facilities installed by BPA pursuant to the Letter Agreement, Contract No. 00TX-20116.

The above termination charge language in this Part E shall be incorporated into any replacement agreement, which provides for BPA transmission service to Puget Sound Energy, Inc.'s loads on the Kitsap peninsula.

F. DEPRECIATED INVESTMENT METHODOLOGY

The depreciated investment amount to be used in Part E will be determined based upon the following factors:

- (1) The initial amount to be used for the Depreciated Investment Methodology shall be the amount determined per Letter Agreement No. 00TX-20116, section 3 as it relates to section 2.1 of such Letter Agreement.
- (2) Forty-five (45) year useful life of facility(s), or as otherwise established in BPA documents such as Annual Financial Requirements documents depicting useful life assumptions; and
- (3) straight-line depreciation method; and

AUTHENTICATED

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Puget Sound Energy, Inc.
Effective at 0000 hours
on October 1, 2011

- (4) the amount will be calculated starting at the date of energization of the facilities referenced in Part E of this Exhibit C and ending at the date of termination of service of the facilities referenced in Part E of this Exhibit C.

G. SIGNATURES

The Parties have caused this Exhibit to be executed as of the date both Parties have signed this Exhibit.

PUGET SOUND ENERGY, INC.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By: /S/ DAVID MILLS

By: /S/ TONI L TIMBERMAN

Name: David Mills
Print \ Type

Name: Toni L. Timberman
Print \ Type

Title: Energy Supply & Planning

Title: Senior Transmission Account Executive

Date: 9/19/6

Date: September 26 2011

**EXHIBIT D
TRANSMISSION LOSS FACTORS
REVISION NO. 1**

This Revision No. 1 to Exhibit D updates the Transmission Loss Factor from 1.6% to 1.9%.

Calculation of Hourly Losses Resulting From Wheeling

Loss Factor
1.9 percent

PHoward:slv:6060:7/15/2009 (W:\TMC\CT\Puget Sound Energy, Inc\Loss Factor\Revision #1 - 93947.doc)