

**POWER SALES AGREEMENT**  
 executed by the  
**BONNEVILLE POWER ADMINISTRATION**  
 and  
**ORCAS POWER & LIGHT COOPERATIVE**

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This POWER SALES AGREEMENT (Agreement) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (BPA), and ORCAS POWER & LIGHT COOPERATIVE (Orcas), hereinafter individually referred to as "Party" and collectively referred to as the "Parties". Orcas is a non-profit customer cooperative corporation, organized and authorized under the laws of the State of Washington, to purchase and distribute electric power to serve retail consumers from its distribution system within its service area.

## RECITALS

Orcas' current power sales agreement (Contract No. 00PB-12077) continues through September 30, 2011, and will be replaced by this Agreement on October 1, 2011.

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

BPA is authorized to market federal power to qualified entities that are eligible to purchase such power. Under section 5(b)(1) of the Northwest Power Act, BPA is obligated to offer a power sales agreement to eligible customers for the sale and purchase of federal power to serve their retail consumer load in the Region that is not met by the customer's use of its non-federal resources.

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

timely development of regional power resource infrastructure to meet regional consumer loads under this Agreement.

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

The Parties agree:

**1. TERM**

This Agreement takes effect on the date signed by the Parties and expires on September 30, 2028, subject to approval of the United States Department of Agriculture Rural Utilities Service. Performance by BPA and Orcas shall commence on October 1, 2011, with the exception of those actions required prior to that date that are included in:

- (1) sections 3.3 through 3.7 of section 3, Power Purchase Obligation;
- (2) section 9, Elections to Purchase Power Priced at Tier 2 Rates;
- (3) section 14, Delivery;
- (4) section 17, Information Exchange and Confidentiality;
- (5) section 18, Conservation and Renewables;
- (6) section 19, Resource Adequacy;
- (7) section 22, Governing Law and Dispute Resolution;
- (8) section 25, Termination;
- (9) Exhibit A, Net Requirements and Resources;
- (10) Exhibit B, High Water Marks and Contract Demand Quantities;
- (11) Exhibit C, Purchase Obligations;
- (12) section 2 of Exhibit D, Additional Products and Special Provisions; and
- (13) Exhibit G, Principles of Non-Federal Transfer Service.

Until October 1, 2011, section 22, Governing Law and Dispute Resolution will only apply to the extent there is a dispute regarding actions required in the above referenced sections and exhibits.

**2. DEFINITIONS**

Capitalized terms below shall have the meaning stated. Capitalized terms that are not listed below are either defined within the section or exhibit in which the term is

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

- 2.1 "5(b)/9(c) Policy" means BPA's Policy on Determining Net Requirements of Pacific Northwest Utility Customers Under sections 5(b)(1) and 9(c) of the Northwest Power Act issued May 23, 2000, and its revisions or successors.
- 2.2 "**7(i) Process**" means a public process conducted by BPA to establish rates for the sale of power and other products pursuant to section 7(i) of the Northwest Power Act or its successor.
- 2.3 "**Above-RHWM Load**" means forecast annual Total Retail Load, less Existing Resources, NLSLs, and Orcas' RHWM, as determined in the RHWM Process, except for the FY 2012-2013 Rate Period, when Above-RHWM Load will be determined differently, as specified in the TRM.
- 2.4 "Annexed Load" means existing load, distribution system, or service territory Orcas acquires after the Effective Date from another utility, by means of annexation, merger, purchase, trade, or other acquisition of rights, the acquisition of which has been authorized by a final state, regulatory or court action. The Annexed Load must be served from distribution facilities that are owned or acquired by Orcas.
- 2.5 "Average Megawatts" or "aMW" means the amount of electric energy in megawatt-hours (MWh) during a specified period of time divided by the number of hours in such period.
- 2.6 "**Balancing Authority**" means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.
- 2.7 "**Balancing Authority Area**" means the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority.
- 2.8 "**Business Days**" means every Monday through Friday except Federal holidays.
- 2.9 "Carbon Credit" shall have the meaning as defined in section 1 of Exhibit H.
- 2.10 "**CHWM Contract**" means the power sales contract between a customer and BPA that contains a Contract High Water Mark (CHWM), and under which

the customer purchases power from BPA at rates established by BPA in accordance with the TRM.

- 2.11 “Consumer-Owned Resource” means a Generating Resource connected to Orcas’ distribution system that is owned by a retail consumer, has a nameplate capability greater than 200 kilowatts, is operated or applied to load, and is not operated occasionally or intermittently as a back-up energy source at times of maintenance or forced outage. Consumer-Owned Resource does not include a resource where the owner of the resource is a retail consumer that exists solely for the purpose of selling wholesale power and for which Orcas only provides incidental service to provide energy for local use at the retail consumer’s generating plant for lighting, heat and the operation of auxiliary equipment.
- 2.12 “Contract Demand Quantity” or “CDQ” shall have the meaning as defined in the TRM, the definition of which is recited in section 6.6.1.
- 2.13 “Contract High Water Mark” or “CHWM” shall have the meaning as defined in the TRM, the definition of which is recited in section 6.6.1.
- 2.14 “Contract Resource” means any source or amount of electric power that Orcas acquires from an identified or unidentified electricity-producing unit or units by contract purchase, and for which the amount received by Orcas does not depend on the actual production from an identified Generating Resource.
- 2.15 “Dedicated Resource” means a Specified Resource or an Unspecified Resource Amount listed in Exhibit A that Orcas is required by statute to provide or obligates itself to provide under this Agreement for use to serve its Total Retail Load.
- 2.16 “Diurnal” means the division of hours within a month between Heavy Load Hours (HLH) and Light Load Hours (LLH).
- 2.17 “Diurnal Flattening Service” or “DFS” means a service that makes a resource that is variable or intermittent, or that portion of such resource that is variable or intermittent, equivalent to a resource that is flat within each of the 24 HLH and LLH periods of a year.
- 2.18 “Due Date” shall have the meaning as described in section 16.2.
- 2.19 “Effective Date” means the date on which this Agreement has been signed by Orcas and BPA.
- 2.20 “Eligible Annexed Load” shall have the meaning as defined in section 3.5.6.
- 2.21 “Environmental Attribute” shall have the meaning as defined in section 1 of Exhibit H.

- 2.22 “Environmentally Preferred Power RECS” or “EPP RECs” shall have the meaning as defined in section 1 of Exhibit H.
- 2.23 “Existing Resource” means a Specified Resource listed in section 2 of Exhibit A that Orcas was obligated by contract or statute to use to serve Orcas’ Total Retail Load prior to October 1, 2006.
- 2.24 “FERC” means the Federal Energy Regulatory Commission, or its successor.
- 2.25 “Firm Requirements Power” means federal power that BPA sells under this Agreement and makes continuously available to Orcas to meet BPA’s obligations to Orcas under section 5(b) of the Northwest Power Act.
- 2.26 “**Fiscal Year**” or “FY” means the period beginning each October 1 and ending the following September 30.
- 2.27 “Flat Annual Shape” means a distribution of energy having the same Average Megawatt value of energy in each month of the year.
- 2.28 “Flat Within-Month Shape” means a distribution of energy having the same Average Megawatt value of energy in each Diurnal period of the month.
- 2.29 “**Forced Outage Reserve Service**” or “FORS” means a service that provides an agreed-to amount of capacity and energy to load during the forced outages of a resource.
- 2.30 “Forecast Year” means the Fiscal Year ending one full year prior to the commencement of a Rate Period.
- 2.31 “Generating Resource” means any source or amount of electric power from an identified electricity-producing unit, and for which the amount of power received by Orcas or Orcas’ retail consumer is determined by the power produced from such identified electricity-producing unit. Such unit may be owned by Orcas or Orcas’ retail consumer in whole or in part, or all or any part of the output from such unit may be owned for a defined period by contract.
- 2.32 “Heavy Load Hours (HLH)” means hours ending 0700 through 2200 hours Pacific Prevailing Time (PPT), Monday through Saturday, excluding holidays as designated by the North American Electric Reliability Corporation (NERC). BPA may update this definition as necessary to conform to standards of the Western Electricity Coordinating Council (WECC), North American Energy Standards Board (NAESB), or NERC.
- 2.33 “HLH Diurnal Shape” means a distribution of energy between the Diurnal periods in which more megawatt-hours per hour are applied in the Heavy Load Hour (HLH) periods than megawatt-hours per hour applied in the Light Load Hour (LLH) periods. Such distributions are determined by Orcas consistent with section 8.2 of Exhibit A.

- 2.34 “Integrated Network Segment” shall have the meaning as defined in section 14.1.
- 2.35 “Interchange Points” means the points where Balancing Authority Areas interconnect and at which the interchange of energy between Balancing Authority Areas is monitored and measured.
- 2.36 “Issue Date” shall have the meaning as described in section 16.1.
- 2.37 “Light Load Hours (LLH)” means: (1) hours ending 0100 through 0600 and 2300 through 2400 hours PPT, Monday through Saturday, and (2) all hours on Sundays and holidays as designated by NERC. BPA may update this definition as necessary to conform to standards of the WECC, NAESB, or NERC.
- 2.38 “Net Requirement” means the amount of federal power that Orcas is entitled to purchase from BPA to serve its Total Retail Load minus amounts of Orcas’ Dedicated Resources shown in Exhibit A, as determined consistent with section 5(b)(1) of the Northwest Power Act.
- 2.39 “New Large Single Load” or “NLSL” has the meaning specified in section 3(13) of the Northwest Power Act and in BPA’s NLSL policy.
- 2.40 “New Resource” means (1) a Specified Resource listed in section 2 of Exhibit A that Orcas was or is first obligated by contract, or was or is obligated by statute, to use to serve Orcas’ Total Retail Load after September 30, 2006, and (2) any Unspecified Resource Amounts listed in Exhibit A.
- 2.41 “Northwest Power Act” means the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. §839, Public Law No. 96-501, as amended.
- 2.42 “Notice Deadlines” means the dates established in section 9.1.1.
- 2.43 “Onsite Consumer Load” means the electric load of an identified retail consumer of Orcas that is directly interconnected or electrically interconnected on the same portion of Orcas’ distribution system with a Consumer-Owned Resource of that same identified retail consumer such that no transmission schedule is needed to deliver the generation from the Consumer-Owned Resource to the consumer load.
- 2.44 “Operating Year” means the period, beginning each August 1 and ending the following July 31, that is designated under the Pacific Northwest Coordination Agreement (PNCA) for resource planning and operational purposes.
- 2.45 “Pacific Northwest Coordination Agreement” or “PNCA” means Contract No. 97PB-10130, as such agreement may be amended or replaced, among

BPA, the U.S. Army Corps of Engineers, the Bureau of Reclamation, and certain generating utilities in the Region that sets forth the terms and conditions for the coordinated operation of generating resources in the Region.

- 2.46 “PNCA Update Shape” means the monthly shape of a Specified Resource that is a hydro resource that will be revised each Fiscal Year based on the monthly amounts for such resource that are in the final PNCA planning hydro-regulation study published for the Operating Year that began on the August 1 immediately preceding the Fiscal Year. If the final study is not published 30 days prior to the beginning of the Fiscal Year, then the monthly shape of Orcas’ Specified Resource that is a hydro resource will be revised based on the monthly amounts for such resource that are in the modified PNCA study published for the same Operating Year. The August and September amounts published for the Operating Year will be used as the August and September amounts for the Fiscal Year.
- 2.47 “Point of Delivery” or “POD” means the point where power is transferred from a transmission provider to Orcas.
- 2.48 “Point of Metering” or “POM” means the point at which power is measured.
- 2.49 “Power Services” means the organization, or its successor organization, within BPA that is responsible for the management and sale of Federal power.
- 2.50 “Primary Points of Receipt” shall have the meaning as defined in section 14.1.
- 2.51 “Purchase Periods” means the time periods established in section 9.1.1.
- 2.52 “Rate Case Year” means the Fiscal Year ending prior to the commencement of a Rate Period. The Rate Case Year immediately follows the Forecast Year and is the year in which the 7(i) Process for the next Rate Period is conducted.
- 2.53 “**Rate Period**” means the period of time during which a specific set of rates established by BPA pursuant to the TRM is intended to remain in effect.
- 2.54 “Rate Period High Water Mark” or “RHWM” shall have the meaning as defined in the TRM, the definition of which is recited in section 6.6.1.
- 2.55 “Region” means the Pacific Northwest as defined in section 3(14) of the Northwest Power Act.
- 2.56 “Renewable Energy Certificates” or “RECs” shall have the meaning as defined in section 1 of Exhibit H.



- 2.57 “Resource Diurnal Shape” means a distribution of energy within each Diurnal period that a Generating Resource is expected to produce, as agreed to by the Parties in accordance with section 3.4.1(1).
- 2.58 “Resource Monthly Shape” means a distribution of energy within each month that a Generating Resource is expected to produce, as agreed to by the Parties in accordance with section 3.4.1(1).
- 2.59 “Resource Support Services” or “RSS” means the Diurnal Flattening Service, Forced Outage Reserve Service, Transmission Curtailment Management Service, and Secondary Crediting Service. BPA may in the future include other related services that are priced in the applicable 7(i) Process.
- 2.60 “Scheduling Points of Receipt” shall have the meaning as defined in section 14.1.
- 2.61 “**Secondary Crediting Service**” or “SCS” means the optional service offered by BPA that provides a monetary credit for the secondary output from an Existing Resource that has a firm critical energy component and a secondary energy component.
- 2.62 “Small Non-Dispatchable Resource” means a Specified Resource connected to Orcas’ distribution system the output of which cannot be shifted between Diurnal periods or days by the resource owner or operator. Such resource is further defined as:
- (1) an Existing Resource that has a nameplate capability less than or equal to three megawatts, or
  - (2) a New Resource that has a nameplate capability less than or equal to one megawatt.
- 2.63 “Specified Resource” means a Generating Resource or Contract Resource that has a nameplate capability or maximum hourly purchase amount greater than 200 kilowatts, that Orcas is required by statute or has agreed to use to serve its Total Retail Load. Each such resource is identified as a specific Generating Resource or as a specific Contract Resource with identified parties and is listed in sections 2 and 4 of Exhibit A.
- 2.64 “Statement of Intent” shall have the meaning as defined in section 2.3 of Exhibit C.
- 2.65 “Submitted Schedule” shall have the meaning as defined in section 3.7.
- 2.66 “Super Peak Credit” means a reduction in Orcas’ demand billing determinants equal to the amount of additional energy provided by a Dedicated Resource, during a Super Peak Period, over the amount of energy that would have been provided by an equivalent amount of energy delivered flat across the monthly HLH period.

- 2.67 “Super Peak Period” means the hours BPA defines for each Rate Period in accordance with section 3.4.4.1 into which Orcas must reshape its HLH energy from its Dedicated Resources to receive a Super Peak Credit. The hours BPA establishes for the Super Peak Period may vary by month and will be either two 3-hour periods each day or a single 6-hour period each day.
- 2.68 “Surplus Firm Power” means firm power that is in excess of BPA’s obligations, including those incurred under sections 5(b), 5(c), and 5(d) of the Northwest Power Act, as available.
- 2.69 “Third Party Transmission Provider” means a transmission provider other than BPA that delivers power to Orcas.
- 2.70 “Tier 1 Rate” means the Tier 1 Rate as defined in the TRM.
- 2.71 “Tier 1 RECs” shall have the meaning as defined in section 1 of Exhibit H.
- 2.72 **“Tier 2 Cost Pools”** means all of the Cost Pools to which Tier 2 Costs (as defined in the TRM) will be allocated by BPA.
- 2.73 “Tier 2 Load Growth Rate” means a Tier 2 Rate at which Load Following customers may elect to purchase Firm Requirements Power in accordance with section 2.2 of Exhibit C.
- 2.74 “Tier 2 Rate” means the Tier 2 Rate as defined in the TRM.
- 2.75 “Tier 2 RECs” shall have the meaning as defined in section 1 of Exhibit H.
- 2.76 “Tier 2 Short-Term Rate” means a Tier 2 Rate at which customers may elect to purchase Firm Requirements Power in accordance with section 2.4 of Exhibit C.
- 2.77 “Tier 2 Vintage Rate” means a Tier 2 Rate at which customers may elect to purchase Firm Requirements Power in accordance with section 2.3 of Exhibit C.
- 2.78 “Tiered Rate Methodology” or “TRM” means the long-term methodology established by BPA in a Northwest Power Act section 7(i) hearing as the Tiered Rate Methodology to implement the Policy (as defined in the TRM) construct of tiering BPA’s Priority Firm Power rates for serving load under CHWM Contracts.
- 2.79 “Total Retail Load” means all retail electric power consumption, including electric system losses, within Orcas’ electrical system excluding:
- (1) those loads BPA and Orcas have agreed are nonfirm or interruptible loads,

- (2) transfer loads of other utilities served by Orcas, and
  - (3) any loads not on Orcas' electrical system or not within Orcas' service territory, unless specifically agreed to by BPA.
- 2.80 "Total Retail Load Monthly Shape" means the distribution among months as listed in the table in section 8.1 of Exhibit A. The FY 2010 Total Retail Load Monthly Shape from the table will apply for the FY 2012-2014 and FY 2015-2019 Purchase Periods; the FY 2015 Total Retail Load Monthly Shape will apply for the FY 2020-FY 2024 Purchase Period; and the FY 2020 Total Retail Load Monthly Shape will apply for the FY 2025-2028 Purchase Period.
- 2.81 "Transfer Service" means the transmission, distribution and other services provided by a Third Party Transmission Provider to deliver electric energy and capacity over its transmission system.
- 2.82 "**Transmission Curtailment Management Service**" or "TCMS" means the service Power Services may provide to back up a qualifying resource when a transmission curtailment occurs between such resource and the customer load.
- 2.83 "Transmission Services" means the organization, or its successor organization, within BPA that is responsible for the management and sale of transmission service on the Federal Columbia River Transmission System.
- 2.84 "Uncontrollable Force" shall have the meaning as defined in section 21.
- 2.85 "Unspecified Resource Amount" means an amount of firm energy, listed in sections 3 and 4 of Exhibit A, that Orcas has agreed to supply and use to serve its Total Retail Load. Such amount is not attributed to a Specified Resource.

### **3. LOAD FOLLOWING POWER PURCHASE OBLIGATION**

#### **3.1 Purchase Obligation**

From October 1, 2011, and continuing through September 30, 2028, BPA shall sell and make available, and Orcas shall purchase, Firm Requirements Power in hourly amounts equal to Orcas' hourly Total Retail Load minus the hourly firm energy from each of Orcas' Dedicated Resources as listed in Exhibit A. Orcas shall determine the hourly firm energy from each of its Dedicated Resources pursuant to section 3.3. Such amounts of energy are subject to change pursuant to section 3.5 and section 10.

#### **3.2 Take or Pay**

Orcas shall pay for the amount of Firm Requirements Power it has committed to purchase under section 3.1, and that BPA makes available at the rates BPA establishes pursuant to the TRM, as applicable to such power, whether or not Orcas took actual delivery of such power.

### 3.3 **Application of Dedicated Resources**

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

- (1) Specified Resources that are Generating Resources, except Small, Non-Dispatchable Resources, shall be listed in section 2.1 of Exhibit A,
- (2) Specified Resources that are Contract Resources shall be listed in section 2.2 of Exhibit A,
- (3) Specified Resources that are Small Non-Dispatchable Resources shall be listed in section 2.3 of Exhibit A, and
- (4) Unspecified Resource Amounts shall be listed in section 3.1 of Exhibit A.

Orcas shall use its Dedicated Resources to serve its Total Retail Load, and specify amounts of its Dedicated Resources in the tables shown in Exhibit A, as stated below for each specific resource and type. BPA shall use the amounts listed in Exhibit A in determining Orcas' Net Requirement. The amounts listed are not intended to govern how Orcas shall operate its Specified Resources, except for those resources that are Small Non-Dispatchable Resources and those resources supported with DFS or SCS from BPA.

#### 3.3.1 **Specified Resources**

##### 3.3.1.1 **Application of Specified Resources**

Orcas shall apply the output of all Specified Resources, listed in section 2 of Exhibit A, to Orcas' Total Retail Load in predefined hourly amounts consistent with section 3.7, except for Small Non-Dispatchable Resources and Specified Resources Orcas is supporting with DFS or SCS from BPA. Orcas shall apply all Specified Resources supported with DFS or SCS from BPA to Orcas' Total Retail Load consistent with section 2 of Exhibit D. Orcas shall apply all of the output as it is generated from its Small Non-Dispatchable Resources, listed in section 2.3 of Exhibit A, to Orcas' Total Retail Load.

##### 3.3.1.2 **Determining Specified Resource Amounts**

Orcas shall state, for each Specified Resource listed in section 2 of Exhibit A, firm energy amounts for each Diurnal period and peak amounts for each month beginning with the later of the date the resource was dedicated to load or October 1, 2011, through the earlier of the date the resource will be permanently removed or September 30, 2028. BPA in consultation with Orcas shall determine the firm energy amounts for each Diurnal period and peak amounts for each month for each Specified Resource consistent with the

5(b)/9(c) Policy, and using the allowable shapes established in section 3.4.

### **3.3.2 Unspecified Resource Amounts**

#### **3.3.2.1 Application of Unspecified Resource Amounts**

To serve Above-RHWM Load that Orcas commits to meet with Dedicated Resources in Exhibit C, Orcas shall provide and use Unspecified Resource Amounts to meet any amounts not met with its Specified Resources during each Purchase Period. Orcas shall apply its Unspecified Resource Amounts, listed in section 3 of Exhibit A, to Orcas' Total Retail Load in predefined hourly amounts consistent with section 3.7.

#### **3.3.2.2 Determining Unspecified Resource Amounts**

By March 31 of each Rate Case Year, the Parties shall calculate, and BPA shall fill in the table in section 3.1.2 of Exhibit A with, Orcas' Unspecified Resource Amounts for each of the years of the upcoming Rate Period consistent with Orcas' elections for service to its Above-RHWM Load. Such Unspecified Resource Amounts shall be calculated using the monthly and Diurnal shapes listed in section 3.1.1 of Exhibit A. Upon termination or expiration of this Agreement any Unspecified Resource Amounts listed in Exhibit A shall expire, and Orcas shall have no further obligation to apply Unspecified Resource Amounts.

### **3.4 Shaping of Dedicated Resources**

Orcas' Dedicated Resource amounts shall be shaped as follows:

#### **3.4.1 Initial Monthly and Diurnal Resource Shapes**

The amounts for each Dedicated Resource shall be first listed in Exhibit A with one of the following shapes:

- (1) Generating Resources in the amount of energy within each month and Diurnal period of a year each resource is expected to generate output as agreed to by the Parties.
- (2) Contract Resources in equal megawatt amounts for each hour in a year.
- (3) Small Non-Dispatchable Resources in the amount of energy within each month and Diurnal period of a year each resource is expected to generate output as agreed to by the Parties.
- (4) Unspecified Resource Amounts in equal megawatt amounts for each hour in a year.

### **3.4.2 Reshaping Dedicated Resources**

By each Notice Deadline Orcas may elect in writing, pursuant to section 3.4.3, to reshape its amounts of Dedicated Resources listed in sections 2.1, 2.2, and 3.1 of Exhibit A, except for those Specified Resources Orcas is supporting with DFS or SCS from BPA, for the corresponding Purchase Period. After BPA receives such notice from Orcas for the first Notice Deadline (November 1, 2009), BPA shall, by March 31, 2011, revise Exhibit A to reflect such written elections. After BPA receives such written notice from Orcas for any subsequent Notice Deadline, BPA shall, by the following March 31, revise Exhibit A to reflect such election.

If Orcas elects the PNCA Update Shape for a hydro resource, then BPA shall update the shape of such resource annually, in accordance with such election, to be completed no later than September 15 preceding the start of the applicable Fiscal Year.

### **3.4.3 Monthly and Diurnal Reshaping Options**

Consistent with section 3.4.2, Orcas may elect to reshape one or more of its Dedicated Resources using the allowable monthly and Diurnal shapes described below. If Orcas elects to reshape its Dedicated Resources, then Orcas shall elect both a monthly and a Diurnal shape for each Dedicated Resource that is reshaped.

#### **3.4.3.1 Generating Resources**

For each Generating Resource listed in section 2.1 of Exhibit A Orcas may elect to apply each resource in any of the following shapes:

- (1) Monthly Shapes: (A) Total Retail Load Monthly Shape; (B) Resource Monthly Shape; (C) Flat Annual Shape; or (D) PNCA Update Shape if the resource is a hydro resource and is designated as a PNCA resource in section 2.1 of Exhibit A.
- (2) Diurnal Shapes: (A) Resource Diurnal Shape; (B) Flat Within-Month Shape; or (C) HLH Diurnal Shape.

#### **3.4.3.2 Contract Resources**

For each Contract Resource listed in section 2.2 of Exhibit A Orcas may elect to apply each resource in any of the following shapes:

- (1) Monthly Shapes: (A) Total Retail Load Monthly Shape; or (B) Flat Annual Shape.
- (2) Diurnal Shapes: (A) Flat Within-Month Shape; or (B) HLH Diurnal Shape.

#### **3.4.3.3 Unspecified Resource Amounts**

Orcas may elect to apply its Unspecified Resource Amounts, listed in section 3.1 of Exhibit A in any of the following shapes:

- (1) Monthly Shapes: (A) Total Retail Load Monthly Shape; or (B) Flat Annual Shape.
- (2) Diurnal shapes: (A) Flat Within-Month Shape; or (B) HLH Diurnal Shape.

#### **3.4.4 Super Peak Credit**

##### **3.4.4.1 Super Peak Period**

By September 30 of each Forecast Year BPA shall notify Orcas in writing of the Super Peak Period for the upcoming Rate Period.

##### **3.4.4.2 Super Peak Amounts**

By October 31 of each Rate Case Year Orcas shall notify BPA in writing of the monthly megawatt amounts of additional energy Orcas elects to apply to its Total Retail Load for the upcoming Rate Period, for which Orcas shall receive a Super Peak Credit. Orcas shall establish such amounts from its Dedicated Resources consistent with section 9 of Exhibit A. After BPA receives such notification from Orcas BPA shall revise the table in section 9 of Exhibit A, by March 31 of the same Rate Case Year, to reflect monthly amounts Orcas submitted to BPA.

#### **3.4.5 Hourly Resource Shape**

Orcas' Dedicated Resources listed in sections 2.1, 2.2, and 3.1 of Exhibit A, except for those Specified Resources Orcas is supporting with DFS or SCS from BPA, shall be provided in equal megawatt amounts during all LLH of a month and in equal megawatt amounts during all HLH of a month, unless Orcas reshapes its HLH amounts pursuant to section 3.4.4. If Orcas reshapes its HLH amounts pursuant to section 3.4.4, then Orcas' Dedicated Resources shall be provided in (1) equal megawatt amounts during all LLH of a month, (2) equal megawatt amounts during all HLH of a month that are not in the Super Peak Period, and (3) equal megawatt amounts during all HLH of a month that are in the Super Peak Period. The hourly amounts provided in the Super Peak Period shall reflect the additional energy amounts listed in section 9 of Exhibit A.

### **3.5 Changes to Dedicated Resources**

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

By written notice to BPA, Orcas may elect to add Specified Resources to section 2 of Exhibit A to meet any obligation Orcas may have in Exhibit C to serve its Above-RHWM Load with Dedicated Resources. Subject to the following:

3.5.1.1 By any Notice Deadline, Orcas may elect to add a Specified Resource to section 2 of Exhibit A with amounts effective at the start of the corresponding Purchase Period. The following applies for such Specified Resources:

- (1) Orcas shall determine amounts for such Specified Resources in accordance with section 3.3.1.2.
- (2) Orcas may elect to reshape such Specified Resources in accordance with section 3.4.3 or may elect to purchase DFS from BPA to support such Specified Resources.

3.5.1.2 After any Notice Deadline, and if Orcas notifies BPA of its election in writing by October 31 of a Rate Case Year, then Orcas may add Specified Resources to section 2 of Exhibit A with amounts effective at the start of the upcoming Rate Period. The following apply for such Specified Resources:

- (1) Orcas shall determine amounts for such Specified Resources in accordance with section 3.3.1.2.
- (2) The shape of such resources shall either be in the shape selected in section 3.1.1 of Exhibit A for any Unspecified Resource Amounts for the applicable Purchase Period, or Orcas may purchase DFS from BPA to support the Specified Resource pursuant to section 2.2 of Exhibit D.

3.5.1.3 BPA shall revise Exhibit A consistent with Orcas' elections by March 31 following Orcas' elections under sections 3.5.1.1 or 3.5.1.2.

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

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

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

If BPA determines, in accordance with section 23.6, that an export of a Specified Resource listed in section 2 of Exhibit A requires a reduction



in the amount of Firm Requirements Power BPA sells Orcas then BPA shall notify Orcas of the amount and duration of the reduction in Orcas' Firm Requirements Power purchases from BPA. Within 20 days of such notification Orcas may add a Specified Resource to section 2 of Exhibit A in the amount of such decrement. If Orcas does not add a Specified Resource to meet such decrement, then within 30 days of such notification BPA shall add Unspecified Resource Amounts to section 3.2 of Exhibit A in the amount and for the duration of such decrement.

**3.5.4 Temporary Resource Removal**

By March 31 of each Rate Case Year, BPA shall revise Orcas' Dedicated Resource amounts listed in the tables of Exhibit A consistent with Orcas' resource removal elections made in accordance with section 10.

**3.5.5 Permanent Discontinuance of Resources**

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

**3.5.6 Resource Additions for Annexed Loads**

If Orcas acquires an Annexed Load, in addition to any resources assigned by the other utility to serve the Annexed Load, Orcas may add Dedicated Resources to Exhibit A, subject to sections 3.5.6.1 and 3.5.6.2 below, to serve amounts of such Annexed Load that are Eligible Annexed Load. "Eligible Annexed Load" means an Annexed Load: (1) that is added after the Effective Date, and (2) for which Orcas did not receive a CHWM addition pursuant to section 1.2.2 of Exhibit B.

**3.5.6.1** During the Rate Period in which Orcas acquires an Eligible Annexed Load, Orcas may serve such load for the remainder of that Rate Period with Dedicated Resources in the shape of the load, as negotiated by the Parties, or with additional power purchased from BPA. If Orcas elects to serve such load with Dedicated Resources, then Orcas shall apply such resources for the remainder of the Rate Period and in accordance with applicable terms stated in Exhibit D. If Orcas elects to purchase additional power from BPA for the Annexed Load, then during that Rate Period such power purchases may be subject to additional rates or charges as

established in the Wholesale Power Rate Schedules and GRSPs and as applicable to the shape of the Eligible Annexed Load.

- 3.5.6.2 For all Rate Periods after the Rate Period when Orcas acquires an Eligible Annexed Load, Orcas may serve such load with Dedicated Resources pursuant to Orcas' elections to apply Dedicated Resources or Purchase Firm Requirements Power at Tier 2 Rates during the applicable Purchase Period as stated in Exhibit C.

### **3.5.7 Resource Additions/Removals for NLSLs**

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

### **3.5.8 PURPA Resources**

If Orcas is required by the Public Utility Regulatory Policies Act (PURPA) to acquire output from a Generating Resource, then such output shall be added as a Specified Resource pursuant to Exhibit A. Orcas shall purchase DFS from BPA (or equivalent service if DFS is unavailable) to support such resources for the term of this Agreement.

## **3.6 Consumer-Owned Resources**

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

**3.6.1 Existing Consumer-Owned Resources**

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

**3.6.2 New Consumer-Owned Resources**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **3.6.6 Changes to Consumer-Owned Resources**

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

**3.6.7 Data Requirements for Consumer-Owned Resources**

Orcas shall meter all Consumer-Owned Resources listed in section 7 of Exhibit A and shall provide such meter data to BPA pursuant to section 17.3.

**3.7 Hourly Dedicated Resource Schedule**

By June 30 of each Rate Case Year, Orcas shall provide BPA an aggregated hourly schedule, in whole megawatt amounts consistent with section 3.7.3 and in the format described in section 3.7.2, for its Dedicated Resources with amounts in each hour, calculated pursuant to section 3.7.1, for each year of the upcoming Rate Period ("Submitted Schedule"). Orcas shall schedule such hourly amounts to its Total Retail Load consistent with section 13.

**3.7.1 Schedule Amounts**

The amounts in the Submitted Schedule shall equal the sum of all monthly and Diurnal Dedicated Resource amounts listed in the tables in sections 2 and 3 of Exhibit A except for those Small Non-Dispatchable Resources listed in section 2.3 of Exhibit A, and those Specified Resources supported with DFS or SCS listed in section 2 of Exhibit D. The hourly amounts in the Submitted Schedule shall be determined in accordance with section 3.4.5.

If the amounts in the Submitted Schedule change in accordance with sections 3.4.4 and/or 3.5, then Orcas shall send BPA a revised Submitted Schedule using the updated amounts within five Business Days of such amounts being updated in Exhibit A.

**3.7.2 Schedule Format**

Orcas shall provide the Submitted Schedule to BPA electronically in a comma-separated-value (csv) format with the time/date stamp in the first column and load amounts, with units of measurement specified, in the following column.

**3.7.3 Whole Megawatt Amounts**

If Orcas' Submitted Schedule would otherwise have amounts in fractional megawatts-per-hour, Orcas shall vary its hourly amounts by one megawatt in some hours so that over the course of the applicable month the amounts as scheduled in whole megawatts sum to the appropriate total. If Orcas' Dedicated Resource amounts are less than one megawatt-per-hour in any Diurnal period of a month, then Orcas shall schedule one megawatt starting with the first hour of the Diurnal period of that month, and schedule one megawatt in each subsequent hour of the Diurnal period until the appropriate amount has been scheduled for that Diurnal period of such month.

**4. THIS SECTION INTENTIONALLY LEFT BLANK**

**5. THIS SECTION INTENTIONALLY LEFT BLANK**

## **6. TIERED RATE METHODOLOGY**

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

Any knowing failure of BPA to abide by the TRM, or any BPA repudiation of its obligation here and under the TRM to revise the TRM only in accordance with the TRM sections 12 and 13 procedures for revision, would be a matter of contract to be resolved as would any other claim of breach of contract under this Agreement. For purposes of this paragraph, when there is a

dispute between BPA and Orcas concerning what the TRM means or requires, a “knowing failure” shall occur only in the event the United States Court of Appeals for the Ninth Circuit or, upon further review, the United States Supreme Court rules against BPA on its position as to what the TRM means or requires and BPA thereafter persists in its prior position.

6.5 BPA shall not publish a Federal Register Notice regarding BPA rates or the TRM that prohibits, limits, or restricts Orcas’ right to submit testimony or brief issues on rate matters regarding the meaning or implementation of the TRM or establishment of BPA rates pursuant to it, provided however for purposes of BPA’s conformance to this paragraph a “rate matter” shall not include budgetary and program level issues.

6.6 The TRM established by BPA as of the Effective Date includes, among other things, the following:

6.6.1 Definitions (from Definitions section of the TRM):

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

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

**“Contract Demand Quantity” or “CDQ”** means the monthly quantity of demand (expressed in kilowatts) included in each customer’s CHWM Contract that is subtracted from the Customer System Peak (as defined in the TRM) as part of the process of determining the customer’s Demand Charge Billing Determinant (as defined in the TRM), as calculated in accordance with section 5.3.5 of the TRM.

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

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

$$RHWM = \frac{CHWM}{\Sigma CHWM} \times T1SC$$

where:

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

*CHWM* = Contract High Water Mark

*ΣCHWM* = sum of all customers' Contract High Water Marks, including those for customers without a CHWM Contract

*T1SC* = forecast RHWM Tier 1 System Capability (as defined in the TRM), averaged for the Rate Period

## **7. HIGH WATER MARKS AND CONTRACT DEMAND QUANTITIES**

### **7.1 Contract High Water Mark (CHWM)**

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

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

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

### **7.3 Contract Demand Quantities (CDQs)**

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

## **8. APPLICABLE RATES**

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

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

BPA shall establish its PF power rates that apply to purchases under this Agreement pursuant to section 7 of the Northwest Power Act, and in accordance with the TRM. BPA shall establish PF rates that include rate



schedules for purchase amounts at Tier 1 Rates and purchase amounts at Tier 2 Rates. Orcas' purchase of Firm Requirements Power shall be priced as follows:

- (1) Tier 1 Rates shall apply to Firm Requirements Power that Orcas purchases under this Agreement, less: (a) amounts of Firm Requirements Power priced at Tier 2 Rates elected by Orcas in section 2 of Exhibit C, and (b) any amounts purchased for NLSLs.
- (2) Tier 2 Rates shall apply to planned annual amounts of Firm Requirements Power that Orcas purchases to serve its Above-RHWM Load that remains after applying Orcas' New Resources. The details of this calculation, including the use of a forecasted RHWM for FY 2012 and FY 2013, are established in the TRM.

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

Except for the application of section 23.3.7.1 Renewable Resource/Cogeneration Exception, any amounts of Firm Requirements Power provided to Orcas from BPA for service to an NLSL that is listed in Exhibit D shall be purchased at the NR Rate.

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

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

**8.4 Additional Charges**

The Resource Shaping Charge shall apply to Orcas' New Resources that are used to serve Total Retail Load in an amount other than equal megawatt amounts for each hour of the year. Orcas may incur additional charges or penalty charges as provided in the Wholesale Power Rate Schedules and GRSPs, including the Unauthorized Increase Charge or its successors.

**8.5 Resource Support Services (RSS)**

For Orcas' Specified Resources, Orcas may elect to purchase RSS products under this Agreement. Such purchases shall be listed in Exhibit D.

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

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

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

**9.1.1 Notice Deadlines and Purchase Periods**

Notice Deadlines and corresponding Purchase Periods are as follows:

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

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

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

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

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

**9.1.4 Failure to Make an Election**

If Orcas makes no election by a Notice Deadline in section 9.1.1 for the corresponding Purchase Period Orcas shall be deemed to have purchased Firm Requirements Power at Tier 2 Short-Term Rates to serve Above-RHWM Load under alternative (A) in section 2.4.1 of Exhibit C with zero Dedicated Resource amounts listed in the table in section 2.4.1.1(2) of Exhibit C, except for any existing obligation to apply Dedicated Resources that extends into the Purchase Period or beyond.

**9.2 Tier 2 Rate Alternatives**

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

**9.3 Flat Block**

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

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

**10.1 Resource Removal and Remarketing of Tier 2 Purchase Amounts for Each Rate Period**

If Orcas' Above-RHWM Load as forecast for an upcoming Rate Period is less than the sum of (1) Orcas' Tier 2 Rate purchase amounts, as stated in Exhibit C, and (2) Orcas' New Resource amounts, as stated in Exhibit A, then

by October 31 of each Rate Case Year, Orcas may notify BPA of the order and associated amounts of Orcas' Tier 2 Rate purchase amounts that BPA shall remarket and the New Resources Orcas shall remove for each Fiscal Year in the upcoming Rate Period to the extent necessary to comply with section 10.2. If compliance with the requirements of section 10.2 would cause Orcas to remove part or all of any New Resource that Orcas uses to fulfill a state or federal renewable resource standard or other comparable legal obligation, then Orcas shall have the right to substitute its right to remove New Resources for the same amount of Existing Resources to the extent necessary to comply with section 10.2, provided that the hourly, monthly, and Diurnal amounts so removed shall be equal to the hourly, monthly, and Diurnal amounts provided by the New Resources that Orcas would have otherwise been obligated to remove.

If Orcas does not provide BPA with such timely notice in accordance with the preceding paragraph, then BPA shall determine the order and associated amounts of Tier 2 remarketing and removal of New Resources to the extent necessary to comply with section 10.2.

**10.2 Extent of Removal**

Tier 2 remarketing and removal of New Resources pursuant to section 10.1 shall apply until:

- (1) the remarketed Tier 2 Rate purchase amounts plus the removed New Resource amounts equal the amount by which Orcas' Tier 2 Rate purchase amounts plus its New Resources exceed its Above-RHWM Load, or
- (2) all of Orcas' Tier 2 Rate purchase amounts are remarketed and all of its New Resources are removed.

**10.3 Partial Resource Removal**

When only a portion of a Specified Resource or Unspecified Resource Amounts is being removed pursuant to section 10.1, such resources shall be removed proportionally to maintain the same annual shape for the resource that Orcas has established in Exhibit A.

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

Consistent with rates established under the TRM, Orcas shall be subject to applicable charges or credits associated with BPA's remarketing of purchase amounts of Firm Requirements Power at Tier 2 Rates. Except as specified in section 10.5, Orcas shall be responsible for remarketing of any amounts of its Dedicated Resources, Specified or Unspecified, that are removed pursuant to section 10.1.

**10.5 Removal of Resources Taking DFS**

The following shall apply for any Dedicated Resources: (1) for which Orcas is purchasing DFS under this Agreement, and (2) that are partially or entirely removed pursuant to section 10.1.

10.5.1 Orcas shall continue to apply the entire amount of any such resources to load consistent with applicable provisions stated in Exhibit D.

10.5.2 BPA shall remarket the amounts of any such resources that are removed pursuant to section 10.1 in the same manner BPA remarkets Tier 2 Rate purchase amounts in section 10.4. BPA shall continue to provide DFS in accordance with applicable provisions in Exhibit D to any amounts of such resources that remain after resource removal.

## **11. RIGHT TO CHANGE PURCHASE OBLIGATION**

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

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

#### **11.1.1 Notice to Change**

By May 31, 2016, Orcas may provide written notice to BPA that it is requesting to change its purchase obligation effective October 1, 2019, subject to confirmation described in section 11.1.4. Orcas' notice shall state the type of service requested. If such service is the Slice/Block purchase obligation, then Orcas shall state a range of Slice amounts between a specified minimum and maximum amount of Slice that Orcas will accept, provided that the maximum amount of Slice shall not exceed 70% of Orcas' CHWM.

#### **11.1.2 Limitations Due to Peak Load Increase**

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

#### **11.1.3 Charge to Change Purchase Obligation**

In addition to the limitations established in section 11.1.2, Orcas may be subject to charges, in addition to the rates for the new service, as a result of changing its purchase obligation. Such additional charges shall recover all additional costs that: (1) will be incurred by BPA to serve Orcas under its new purchase obligation compared to its existing purchase obligation, and (2) would otherwise result in a rate impact on all other customers receiving service under a CHWM Contract. If Orcas makes a request to change its purchase obligation, then by September 30, 2016, BPA shall determine and present Orcas with any such additional charges. BPA shall not be required to make a payment to Orcas as a result of Orcas changing its purchase obligation.

#### **11.1.4 Change Confirmation**

Within 30 days of BPA's presentation to Orcas of the additional charges determined in section 11.1.3, Orcas shall provide BPA with written notice whether it wishes to proceed with its request to change its purchase obligation. If Orcas is requesting a change to the Slice/Block purchase obligation, then such confirmation constitutes agreement that Orcas shall purchase an amount of Slice within Orcas' specified range of acceptable Slice amounts, if made available by BPA. If Orcas does not provide BPA with such confirmation, then Orcas' existing purchase obligation identified in section 3 shall continue to apply.

#### **11.1.5 Slice Amount**

If Orcas requests a change to a Slice/Block purchase obligation, then BPA shall determine Orcas' specific amount of Slice as follows:

- (1) BPA shall determine the total amount of Slice available for purchase by all customers requesting a change to Slice/Block. Such amount shall be the sum of any unsubscribed amount of Slice as of October 1, 2011, plus any amount of Slice made available by customers switching from the Slice/Block purchase obligation.
- (2) If such amount is sufficient to meet the requested maximum amount of Slice from all customers requesting a change to Slice/Block, then BPA shall provide to Orcas its requested maximum amount of Slice as part of the new purchase obligation.
- (3) If such amount is insufficient to meet the requested maximum amount of Slice from all customers requesting a change to Slice/Block, then BPA shall reduce individual Slice amounts of customers requesting a change to Slice/Block pro rata based on the requested maximum amount of Slice. If Orcas' individual

Slice amount is below its specified minimum, then Orcas shall retain its current purchase obligation.

**11.1.6 Amendment to Reflect New Purchase Obligation**

Following Orcas' confirmation of its decision to change its purchase obligation, the Parties shall amend this Agreement to replace the terms of Orcas' current purchase obligation with the terms of the new purchase obligation. Such amendment shall include, but not be limited to, revising the peak amounts for each of Orcas' Specified Resources listed in section 2 of Exhibit A. The Parties shall revise such peak amounts using BPA's peak standard applicable to Orcas' new purchase obligation. The amended Agreement shall be effective no later than October 1, 2019.

**11.2 This Section Intentionally Left Blank**

**12. BILLING CREDITS AND RESIDENTIAL EXCHANGE**

**12.1 Billing Credits**

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

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

Orcas agrees it will not seek and shall not receive residential exchange benefits pursuant to section 5(c) of the Northwest Power Act other than pursuant to Section IV(G) of BPA's 2008 Average System Cost Methodology or its successor. Orcas recognizes that the quantity of residential load will be determined in a subsequent policy or rate determination. Orcas' agreement in this section 12.2 is a material precondition to BPA offering and executing this Agreement.

**13. SCHEDULING**

From October 1, 2011, through September 30, 2028, Power Services shall provide and Orcas shall purchase Transmission Scheduling Service. The Parties shall administer Orcas' Transmission Scheduling Service consistent with Exhibit F.

**14. DELIVERY**

**14.1 Definitions**

14.1.1 "Integrated Network Segment" means those facilities of the Federal Columbia River Transmission System that are required for the delivery of bulk power supplies, the costs for which are recovered through generally applicable transmission rates, and that are identified as facilities in the Integrated Network Segment, or its successor, in the BPA segmentation study for the applicable

transmission rate period as determined in a hearing establishing or revising BPA's transmission rates pursuant to section 7(i) of the Northwest Power Act.

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

14.1.3 "Scheduling Points of Receipt" means the points on the Pacific Northwest transmission system where Firm Requirements Power is made available by Power Services to Orcas for purposes of transmission scheduling.

## **14.2 Transmission Service**

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

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

14.2.3 At Orcas' request, Power Services shall provide Orcas with Primary Points of Receipt and other information needed to enable Orcas to obtain long-term firm transmission for delivery of power sold under this Agreement. If required by Transmission Services for purposes of transmission scheduling, then Power Services shall provide Orcas with Scheduling Points of Receipt. Power Services has the right to provide power to Orcas at Scheduling Points of Receipt that are different than the Primary Points of Receipt. If BPA does provide power to Orcas at Scheduling Points of Receipt that are different than the Primary Points of Receipt, then BPA shall reimburse Orcas for any incremental, direct, non-administrative costs incurred by Orcas to comply with delivering Firm Requirements Power from such a Scheduling Point of Receipt to Orcas' load if the following conditions, as outlined in (1) or (2) below, have been met:

- (1) If Orcas has long-term Point to Point (PTP) transmission service (as defined in BPA's Open Access Transmission Tariff) for delivery of Firm Requirements Power to its load:
  - (A) Orcas has requested long-term firm transmission service to deliver its Firm Requirements Power using the Primary Points of Receipt and other information provided by Power Services; and
  - (B) Orcas has submitted a request to redirect its long-term firm PTP transmission service to deliver Firm Requirements Power from the Scheduling Point of

Receipt on a firm basis, but that request was not granted; and

(C) Orcas' transmission schedule was curtailed due to non-firm status under PTP transmission service or Orcas can provide proof of the reimbursable costs incurred to replace the curtailed schedule.

(2) If Orcas has long-term Network Integration Transmission Service (as defined in BPA's Open Access Transmission Tariff) for delivery of Firm Requirements Power to its load:

(A) Orcas has requested long-term firm transmission service to deliver its Firm Requirements Power using the Primary Points of Receipt and other information provided by Power Services; and

(B) Orcas' transmission schedule was curtailed due to non-firm status under its secondary service status and Orcas can provide proof of the reimbursable costs incurred to replace the curtailed schedule.

#### **14.3 Liability for Delivery**

Orcas waives any claims against BPA arising under this Agreement for non-delivery of power to any points beyond the applicable Scheduling Points of Receipt, except for reimbursement of costs as described in section 14.2.3. BPA shall not be liable under this Agreement for any third-party claims related to the delivery of power after it leaves the Scheduling Points of Receipt. Neither Party shall be liable under this Agreement to the other Party for damage that results from any sudden, unexpected, changed, or abnormal electrical condition occurring in or on any electric system, regardless of ownership. These limitations on liability apply regardless of whether or not this Agreement provides for Transfer Service.

#### **14.4 Real Power Losses**

BPA is responsible for the real power losses necessary to deliver Firm Requirements Power to Orcas' PODs listed in Exhibit E.

#### **14.5 Metering Losses**

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

#### **14.6 Delivery by Transfer**

Subject to the limitations in this section, BPA agrees to acquire and pay for Transfer Service to deliver Firm Requirements Power and Surplus Firm Power to Orcas' PODs, as listed in Exhibit E, in an amount not to exceed Orcas' Total Retail Load on an hourly basis. In the event that a conflict exists between the provisions of this Agreement and the Agreement



Regarding Transfer Service (ARTS) Contract No. 05EO-40018, this Agreement shall govern.

**14.6.1 Ancillary Services**

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

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

**14.6.2 Low Voltage Delivery**

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

**14.6.3 Direct Assignment Costs**

Orcas shall pay BPA for all directly assigned costs, including but not limited to: facility or system studies costs, construction costs, upgrade costs, and expansion costs, or other capital costs for facilities directly associated with service to any Orcas PODs assessed by the Third Party Transmission Provider to BPA. Such costs shall be consistent with Transmission Services' "Guidelines for Direct Assignment Facilities," and the "Final Supplemental Guidelines for Direct Assignment of Facilities Costs Incurred Under Transfer Agreements" included in BPA's Long Term Regional Dialogue Final Policy,

July 2007, or any other revision of that policy, or as established in a BPA 7(i) Process.

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

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

**14.6.5 Removal of PODs**

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

**14.6.6 Annexed Loads**

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

**14.6.7 Non-Federal Deliveries**

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

**15. METERING**

**15.1 Measurement**

By September 30, 2010, the Parties shall ensure that meters are installed on all PODs listed in Exhibit E, consistent with the requirements of this section 15. The amount of power measured by such meters shall be used by BPA for billing purposes. If the Parties agree that metering is economically or technologically impractical, then:

- (1) the Parties shall use scheduled amounts to measure the amount of power purchased if such power is scheduled into or out of Orcas' service territory; or
- (2) the Parties shall use mutually acceptable load profiles to measure the amount of power purchased if such power is not scheduled.

If the metering equipment associated with the meters listed in Exhibit E fails to properly measure or record the interval readings, then BPA shall apply the procedure set out in the Meter Usage Data Estimations provision of the Wholesale Power Rate Schedules and GRSPs to determine the appropriate billing adjustment.

The rights to locate meters and access facilities granted to BPA pursuant to this section 15 are subject to the terms of any applicable agreement between Orcas and Transmission Services addressing the location, cost responsibility, access, maintenance, testing, and liability of the Parties with respect to meters.

#### **15.2 Existing BPA Owned Meters**

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

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

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

#### **15.3 Non-BPA Owned Meters**

##### **15.3.1 Customer Owned Meters**

Orcas shall operate, maintain, and replace, as necessary at Orcas' expense, all non-BPA metering equipment owned by Orcas that is needed by BPA to forecast, plan, schedule, and bill for power for:

- (1) points of interconnection between Orcas' system and parties other than BPA;
- (2) all loads that require separate measurement for purposes of forecasting, planning, scheduling, or billing for power; and

- (3) Generating Resources listed in Exhibit A that are interconnected to Orcas' system.

Orcas shall give BPA direct, electronic access to meter data from all Orcas owned meters that are capable of being accessed electronically. For the purpose of inspection, Orcas shall grant BPA reasonable physical access to Orcas meters at BPA's request.

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

**15.3.2 Non-BPA Owned Meters Not Owned by Orcas**

For non-BPA owned meters not owned by Orcas needed by BPA to forecast, plan, schedule and bill for power under this Agreement, Orcas shall make commercially reasonable efforts to arrange for such meters to be operated, maintained and replaced, as necessary, for the measurements described above in sections 15.3.1(1) and 15.3.1(2) and for any Generating Resources listed in Exhibit A that require metering.

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

**15.3.3 Non-BPA Owned Meters Owned by Third-Party Transmission Provider**

This section 15.3 shall not apply to non-BPA owned meters that are owned by a Third-Party Transmission Provider with which BPA holds a transmission contract for service to Orcas load. In these cases the metering arrangements shall be between BPA and the Third-Party Transmission Provider.

**15.4 New Meters**

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

All new and replaced meters shall meet American National Standard Institute standards, including, but not limited to C12.20, Electricity Meters--0.2 and 0.5 Accuracy Classes, and the Institute of Electrical and Electronics Engineers, Inc. standard C57.13, Requirements for Instrument Transformers, or their successors. Any new and replaced meters shall be able to record meter data hourly and store data for a minimum of 45 days.

**15.5 Metering an NLSL**

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

**15.6 Metering Exhibit**

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

**16. BILLING AND PAYMENT**

**16.1 Billing**

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

**16.2 Payment**

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

If Orcas has made payment on an estimated bill then:

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

**16.3 Late Payments**

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

- (1) the Prime Rate (as reported in the Wall Street Journal or successor publication in the first issue published during the month in which payment was due) plus four percent, divided by 365; or
- (2) the Prime Rate times 1.5, divided by 365;

shall be applied each day to any unpaid balance.

#### **16.4 Termination**

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

#### **16.5 Disputed Bills**

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

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

16.5.3 If the Parties agree, or if after a final determination of a dispute pursuant to section 22, Orcas is entitled to a refund of any portion of the disputed amount, then BPA shall make such refund with simple interest computed from the date of receipt of the disputed payment to the date the refund is made. The daily interest rate shall equal the Prime Rate (as reported in the Wall Street Journal or successor publication in the first issue published during the month in which payment was due) divided by 365.

### **17. INFORMATION EXCHANGE AND CONFIDENTIALITY**

#### **17.1 General Requirements**

Upon request, each Party shall provide the other Party with any information that is necessary to administer this Agreement and to forecast Orcas' Total Retail Load, forecast BPA system load, comply with NERC reliability standards, prepare bills, resolve billing disputes, administer Transfer Service, and otherwise implement this Agreement. For example, this

obligation includes transmission and power scheduling information and load and resource metering information (such as one-line diagrams, metering diagrams, loss factors, etc.). In addition, Orcas shall provide information BPA requests about Dedicated Resources for purposes of meeting BPA's statutory obligations under section 7(b) of the Northwest Power Act. Information requested under this section 17.1 shall be provided in a timely manner. If Orcas fails to provide BPA with information Orcas is required to provide pursuant to this Agreement and the absence of such information makes it impossible for BPA to perform a calculation, make a determination, or take an action required under this Agreement, then BPA may suspend its obligation to perform such calculation, make such determination, or take such action until Orcas has provided such information to BPA.

## **17.2 Reports**

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

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

## **17.3 Meter Data**

17.3.1 In accordance with section 15 and Exhibit E, the Parties shall notify each other of any changes to PODs, POMs, Interchange Points and related information for which it is responsible. Orcas shall ensure BPA has access to all data from load and resource meters that BPA determines is necessary to forecast, plan, schedule, and bill under this Agreement. Access to this data shall be on a schedule determined by BPA. Meter data shall be in hourly increments for all meters that record hourly data. Meter data includes, but is not limited to: Orcas' actual amounts of energy used or expended for loads and resources, and the physical attributes of Orcas' meters.

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

17.3.3 At least 15 calendar days in advance, Orcas shall e-mail BPA at: (1) [mdm@bpa.gov](mailto:mdm@bpa.gov) and (2) the contact shown in section 20 when the following events are planned to occur on Orcas' system that will affect the load measured by the meters listed in Exhibit E: (1) installation of a new meter, (2) changes or updates to an existing meter not owned by

BPA, (3) any planned line or planned meter outages, and (4) any planned load shifts from one POD to another. This section 17.3.3 is not intended to apply to retail meters not listed in Exhibit E.

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

**17.4 Data for Determining CHWM and CDQs**

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

**17.5 Transparency of Net Requirements Process**

By July 31 of each Forecast Year, BPA shall make the following information publicly available to Orcas and all other BPA regional utility customers with a CHWM:

- (1) Orcas' measured Total Retail Load data for the previous two Fiscal Years in monthly energy amounts and monthly customer-system peak amounts, and
- (2) Orcas' Dedicated Resources for the previous two Fiscal Years in monthly energy and peak amounts as listed in section 5 of Exhibit A.

Orcas waives all claims of confidentiality regarding the data described above.

**17.6 Confidentiality**

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

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

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



## **18. CONSERVATION AND RENEWABLES**

### **18.1 Conservation**

#### **18.1.1 Evaluations**

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

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

#### **18.1.2 Reporting Requirements**

18.1.2.1 This section 18.1.2.1 does not apply if Orcas' Total Retail Load from the most recent prior Fiscal Year is 25 annual Average Megawatts or less, or if Orcas purchases all of its power from BPA to serve its Total Retail Load. Beginning June 1, 2010, and no later than June 1 every two years thereafter, Orcas shall submit a ten-year conservation plan stating Orcas' projection of planned conservation, including biennial conservation targets. This requirement may be satisfied by submitting any plans Orcas prepares in the normal course of business if the plans include, or are supplemented by, the information required above. This includes plans required under state law (such as the Washington State Energy Independence Act (RCW 19.285)).

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

### **18.2 Renewable Resources**

#### **18.2.1 Renewable Energy Certificates**

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

#### **18.2.2 Reporting Requirements**

This section 18.2.2 does not apply if Orcas' Total Retail Load is 25 annual Average Megawatts or less or if Orcas purchases all of its

power from BPA to serve its Total Retail Load. If Orcas' Total Retail Load is above 25 annual Average Megawatts, the following requirements may be satisfied by submitting plans and reports Orcas prepares in the normal course of business as long as such plans and reports include the information required below.

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

- (1) updated information on power forecasted to be generated over the forthcoming calendar year by renewable resources with nameplate capabilities greater than 200 kilowatts, including net metered renewable resources operating behind the BPA meter, used by Orcas to serve its Total Retail Load, under Exhibit A. Such information shall include: project name, fuel type(s), location, date power purchase contract signed, project energization date, capacity, capacity factor, remaining term of purchase (or if direct ownership remaining life of the project), and the percentage of output that will be used to serve Orcas' Total Retail Load that calendar year. Where resources are jointly owned by Orcas and other customers that have a CHWM Contract, Orcas may either submit a report on behalf of all owners or identify the customer that will submit the report;
- (2) the amount of all purchases of RECs used to meet requirements under state or federal law for the forthcoming calendar year; and
- (3) if Orcas is required under state law or by Transmission Services to prepare long-term integrated resource plans or resource forecasts, then Orcas shall provide Power Services with updated copies of such or authorize Transmission Services to provide them directly to Power Services.

#### **19. RESOURCE ADEQUACY**

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

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

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

## **20. NOTICES AND CONTACT INFORMATION**

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

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

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

### **If to Orcas:**

Orcas Power & Light Cooperative  
183 Mt. Baker Road  
Eastsound, WA 98245  
Attn: Randy J. Cornelius  
General Manager  
Phone: 360-376-3512  
FAX: 360-376-3505  
E-Mail: rcornelius@opalco.com

### **If to BPA:**

Bonneville Power Administration  
909 First Avenue, Suite 380  
Seattle, WA 98104-3636  
Attn: Stuart H. Clarke, Jr. - PSW  
Senior Account Executive  
Phone: 206-220-6760  
FAX: 206-220-6803  
E-Mail: shclarkejr@bpa.gov

## **21. UNCONTROLLABLE FORCES**

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

- (1) any curtailment or interruption of firm transmission service on BPA's or a Third Party Transmission Provider's System that prevents

delivery of Firm Requirements Power sold under this Agreement to Orcas;

- (2) any failure of Orcas' distribution or transmission facilities that prevents Orcas from delivering power to end-users;
- (3) strikes or work stoppage;
- (4) floods, earthquakes, other natural disasters, or terrorist acts; and
- (5) final orders or injunctions issued by a court or regulatory body having subject matter jurisdiction which the Party claiming the Uncontrollable Force, after diligent efforts, was unable to have stayed, suspended, or set aside pending review by a court having subject matter jurisdiction.

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

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

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

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

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

This Agreement shall be interpreted consistent with and governed by federal law. Orcas and BPA shall identify issue(s) in dispute arising out of this Agreement and make a good faith effort to negotiate a resolution of such disputes before either may initiate litigation or arbitration. Such good faith effort shall include discussions or negotiations between the Parties' executives or managers. Pending resolution of a contract dispute or contract issue between the Parties or through formal dispute resolution of a contract dispute arising out of this Agreement, the Parties shall continue performance under this Agreement unless to do so would be impossible or

impracticable. Unless the Parties engage in binding arbitration as provided for in this section 22, the Parties reserve their rights to individually seek judicial resolution of any dispute arising under this Agreement.

#### **22.1 Judicial Resolution**

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

#### **22.2 Arbitration**

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

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

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

#### **22.3 Arbitration Procedure**

Any arbitration shall take place in Portland, Oregon, unless the Parties agree otherwise. The Parties agree that a fundamental purpose for arbitration is

the expedient resolution of disputes; therefore, the Parties shall make best efforts to resolve an arbitrable dispute within one year of initiating arbitration. The rules for arbitration shall be agreed to by the Parties.

#### **22.4 Arbitration Remedies**

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

#### **22.5 Finality**

22.5.1 In binding arbitration, the arbitration award shall be final and binding on the Parties, except that either Party may seek judicial review based upon any of the grounds referred to in the Federal Arbitration Act, 9 U.S.C. §1-16 (1988). Judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof.

22.5.2 In nonbinding arbitration, the arbitration award is not binding on the Parties. Each Party shall notify the other Party within 30 calendar days, or such other time as the Parties otherwise agreed to, whether it accepts or rejects the arbitration award. Subsequent to nonbinding arbitration, if either Party rejects the arbitration award, either Party may seek judicial resolution of the dispute, provided that such suit is brought no later than 395 calendar days after the date the arbitration award was issued.

#### **22.6 Arbitration Costs**

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

### **23. STATUTORY PROVISIONS**

#### **23.1 Retail Rate Schedules**

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

#### **23.2 Insufficiency and Allocations**

If BPA determines, consistent with section 5(b) of the Northwest Power Act and other applicable statutes, that it will not have sufficient resources on a

planning basis to serve its loads after taking all actions required by applicable laws then BPA shall give Orcas a written notice that BPA may restrict service to Orcas. Such notice shall be consistent with BPA's insufficiency and allocations methodology, published in the Federal Register on March 20, 1996, and shall state the effective date of the restriction, the amount of Orcas' load to be restricted and the expected duration of the restriction. BPA shall not change that methodology without the written agreement of all public body, cooperative, federal agency and investor-owned utility customers in the Region purchasing federal power from BPA under section 5(b) of the Northwest Power Act. Such restriction shall take effect no sooner than five years after BPA provides notice to Orcas. If BPA imposes a restriction under this provision then the amount of Firm Requirements Power that BPA is obligated to provide and that Orcas is obligated to purchase pursuant to section 3 and Exhibit C shall be reduced to the amounts available under such allocation methodology for restricted service.

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

#### **23.3.1 Determination of an NLSL**

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

23.3.1.1 BPA shall determine an increase in production load to be an NLSL if any load associated with a new facility, an existing facility, or an expansion of an existing facility, which is not contracted for, or committed to (CF/CT), as determined by the Administrator, by a public body, cooperative, investor-owned utility, or federal agency customer prior to September 1, 1979, and which will result in an increase in power requirements of such customer of ten Average Megawatts (87,600,000 kilowatt-hours) or more in any consecutive 12-month period.

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

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

### **23.3.2 Determination of a Facility**

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

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

### **23.3.3 Administrative Obligations and Rights**

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

23.3.3.2 Orcas shall provide reasonable notice to BPA of any expected increase in a single load that may qualify as an NLSL. The Parties shall list any such potential NLSLs in Exhibit D. If BPA determines that any load associated with a single facility is capable of growing ten Average Megawatts or more in a consecutive 12-month period, then such load shall be subject to monitoring as determined necessary by BPA.

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

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



#### **23.3.4 Metering an NLSL**

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

#### **23.3.5 Undetermined NLSLs**

If BPA does not determine at the outset that an increase in load is an NLSL, then the Parties shall install metering equipment as required by section 23.3.4 above, and BPA shall bill Orcas for the increase in load at the applicable PF rate during any consecutive twelve-month monitoring period. If BPA later determines that the increase in load is an NLSL, then BPA shall revise Orcas' bill to reflect the difference between the applicable PF rate and the applicable NR rate in effect for the monitoring period in which the increase takes place. Orcas shall pay that bill with simple interest computed from the start of the monitoring period to the date the payment is made. The daily interest rate shall equal the Prime Rate (as reported in the Wall Street Journal or successor publication in the first issue published during the month in which the monitoring period began) divided by 365.

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

#### **23.3.6 Service Election for an NLSL**

Before the Parties add an NLSL to Exhibit D, Orcas shall elect, in writing, to:

- (1) have BPA serve the NLSL at the NR rate; or
- (2) serve the NLSL with a Dedicated Resource in Exhibit A that is not already being used to serve Orcas' firm consumer load in the region.

This election shall be binding on Orcas for the remaining term of this Agreement.

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

#### **23.3.7.1 Renewable Resource/Cogeneration Exception**

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

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

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

### **23.4 Priority of Pacific Northwest Customers**

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

### **23.5 Prohibition on Resale**

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

### **23.6 Use of Regional Resources**

23.6.1 Within 60 days prior to the start of each Fiscal Year, Orcas shall provide notice to BPA of any Firm Power from a Generating Resource, or a Contract Resource during its term, that has been used to serve

firm consumer load in the Region and that Orcas plans to export for sale outside the Region in the next Fiscal Year. For purposes of this section 23.6, "Firm Power" means electric power which is continuously made available from Orcas' operation of generation or from its purchased power, which is able to meet its Total Retail Load, except when such generation or power is curtailed or restricted due to an Uncontrollable Force. Firm Power includes firm energy and firm peaking energy or both.

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

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

- 23.6.2 Orcas shall be responsible for monitoring any Firm Power from Generating Resources and Contract Resources it sells in the Region to ensure such Firm Power is planned to be used to serve firm consumer load in the Region.
- 23.6.3 If Orcas fails to report to BPA in accordance with section 23.6.1, above, any of its planned exports for sale outside the Region of Firm Power from a Generating Resource or a Contract Resource that has been used to serve firm consumer load in the Region, and BPA makes a finding that an export which was not reported was made, BPA shall decrement the amount of its Firm Requirements Power sold under this Agreement by the amount of the export that was not reported and by any continuing export amount. Decrements under the preceding sentence shall be first to power that would otherwise be provided at Tier 1 Rates. When applicable, such decrements shall be identified in section 3.2 of Exhibit A.
- 23.6.4 For purposes of this section 23.6, an export for sale outside the Region means a contract for the sale or disposition of Firm Power from a Generating Resource or a Contract Resource during its term that has been used to serve firm consumer load in the Region, which contract will be performed in a manner that such output is no longer used or not planned to be used solely to serve firm consumer load in the Region. Delivery of Firm Power outside the Region under a seasonal exchange agreement that is made consistent with BPA's 5(b)/9(c) Policy will not be considered an export. Firm Power from a Generating Resource or a Contract Resource used to serve firm

consumer load in the Region means the firm generating or load carrying capability of a Generating Resource or a Contract Resource as established under PNCA resource planning criteria, or other resource planning criteria generally used for such purposes within the Region.

**23.7 BPA Appropriations Refinancing**

The Parties agree that the provisions of section 3201(i) of the Bonneville Power Administration Refinancing section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (BPA Refinancing Act), P.L. 104-134, 110 Stat. 1321, 350, as stated in the United States Code on the Effective Date, are incorporated by reference and are a material term of this Agreement.

**24. STANDARD PROVISIONS**

**24.1 Amendments**

Except where this Agreement explicitly allows for one Party to unilaterally amend a provision or exhibit, no amendment of this Agreement shall be of any force or effect unless set forth in writing and signed by authorized representatives of each Party.

**24.2 Entire Agreement and Order of Precedence**

This Agreement, including documents expressly incorporated by reference, constitutes the entire agreement between the Parties with respect to the subject matter of this Agreement. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement. The body of this Agreement shall prevail over the exhibits to this Agreement in the event of a conflict.

**24.3 Assignment**

This Agreement is binding on any successors and assigns of the Parties. Neither Party may otherwise transfer or assign this Agreement, in whole or in part, without (1) the other Party's written consent, which shall not be unreasonably withheld; and (2) the written consent of the United States Department of Rural Utilities Service. Such consent shall not be unreasonably withheld. Without limiting the foregoing, BPA's refusal to consent to assignment shall not be considered unreasonable if, in BPA's sole discretion: (1) the sale of power by BPA to the assignee would violate any applicable statute, or (2) such sale might adversely affect the tax-exempt status of bonds issued as part of an issue that finances or refinances the Columbia Generating Station or that such sale might limit the ability to issue future tax-exempt bonds to finance or refinance the Columbia Generating Station. Orcas may not transfer or assign this Agreement to any of its retail consumers.

**24.4 No Third-Party Beneficiaries**

This Agreement is made and entered into for the sole benefit of the Parties, and the Parties intend that no other person or entity shall be a direct or indirect beneficiary of this Agreement.

**24.5 Waivers**

No waiver of any provision or breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving Party, and any such waiver shall not be deemed a waiver of any other provision of this Agreement or of any other breach of this Agreement.

**24.6 BPA Policies**

Any reference in this Agreement to BPA policies, including any revisions, does not constitute agreement of Orcas to such policy by execution of this Agreement, nor shall it be construed to be a waiver of the right of Orcas to seek judicial review of any such policy.

**24.7 Rate Covenant and Payment Assurance**

Orcas agrees that it shall establish, maintain and collect rates or charges sufficient to assure recovery of its costs for power and energy and other services, facilities and commodities sold, furnished or supplied by it through any of its electric utility properties. BPA may require additional forms of payment assurance if: (1) BPA determines that such rates and charges may not be adequate to provide revenues sufficient to enable Orcas to make the payments required under this Agreement, or (2) BPA identifies in a letter to Orcas that BPA has other reasonable grounds to conclude that Orcas may not be able to make the payments required under this Agreement. If Orcas does not provide payment assurance satisfactory to BPA, then BPA may terminate this Agreement. Written notices sent under this section must comply with section 20.

**24.8 Bond Assurances**

BPA has advised Orcas that: (1) the Columbia Generating Station has been financed and refinanced in large part by bonds that are intended to bear interest that is exempt from federal income tax under section 103 of the Internal Revenue Code of 1954, as amended, and Title XIII of the Tax Reform Act of 1986, and (2) the tax-exempt status of those bonds and other bonds issued together with those bonds might be jeopardized if Orcas or any other nongovernmental person has a contract to purchase additional amounts of the output of the Columbia Generating Station.

Consequently, Orcas shall notify BPA at least 90 days before Orcas acquires an Annexed Load, or Orcas is acquired, in whole or in part, as an Annexed Load. Orcas hereby acknowledges and agrees that BPA shall have the right to reduce Orcas' CHWM in connection with any such Annexed Load to the extent the aggregate CHWM, including the Annexed Load, (or the aggregate CHWM, including the Annexed Load, of related entities) otherwise would result in a nongovernmental customer with a CHWM share of the Tier 1 System Resources that exceeds 2.8 percent.

## 25. TERMINATION

### 25.1 BPA's Right to Terminate

BPA may terminate this Agreement if:

- (1) Orcas fails to make payment as required by section 16.4, or
- (2) Orcas fails to provide payment assurance satisfactory to BPA as required by section 24.7.

Such termination is without prejudice to any other remedies available to BPA under law.

### 25.2 Customer's Right to Terminate

Orcas may provide written notice to terminate this Agreement not later than 60 days after: (1) a Final FERC Order is issued declining to approve the Tiered Rate Methodology (if BPA seeks FERC's confirmation and approval of it), (2) FERC issues a final declaratory order finding that the TRM does not meet cost recovery standards, or (3) FERC issues a Final FERC Order that determines rates established consistent with the TRM cannot be approved because the TRM precludes the establishment of rates consistent with cost recovery. The notice shall include a date of termination not later than 90 days after the date of such notice. For purposes of this section 25.2, "Final FERC Order" means a dispositive order by FERC on the merits, and does not include any interim order. A dispositive order on the merits is, for purposes of this section, final when issued and there is no need to await a FERC order on rehearing before the decision is considered final.


## 26. SIGNATURES

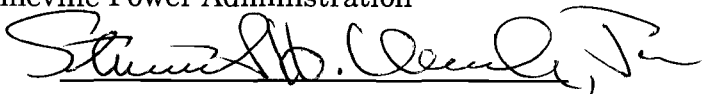
The signatories represent that they are authorized to enter into this Agreement on behalf of the Party for which they sign.

ORCAS POWER & LIGHT COOPERATIVE

UNITED STATES OF AMERICA

Department of Energy  
Bonneville Power Administration

By 

By 

Name Randy J. Cornelius

Name Stuart H. Clarke, Jr.

Title General Manager

Title Senior Account Executive

Date 11/21/08

Date Dec 2, 2008

(PSW-S:\PM\CUST\_SHC\OR\PSC\_2009\_PF\_Regional Dialogue\Or\_13085\_20081016\_Contract\_Final.doc) 10/16/2008

**Exhibit A**  
**NET REQUIREMENTS AND RESOURCES**

**1. NET REQUIREMENTS**

Orcas' Net Requirement equals its Total Retail Load minus Orcas' Dedicated Resources determined pursuant to section 3.3 of the body of this Agreement and listed in sections 2, 3, and 4 of this exhibit. The Parties shall not add or remove resource amounts to change Orcas' purchase obligations from BPA under section 3.1 of the body of this Agreement except in accordance with sections 3.5 and 10 of the body of this Agreement.

**2. LIST OF SPECIFIED RESOURCES****2.1 Generating Resources**

Orcas does not have any Generating Resources that are Specified Resources at this time.

**2.2 Contract Resources**

Orcas does not have any Contract Resources that are Specified Resources at this time.

**2.3 Small Non-Dispatchable Resources**

Orcas does not have any Small Non-Dispatchable Resources at this time. If Orcas adds Small Non-Dispatchable Resources to this section and if the aggregate nameplate capability of such Small Non-Dispatchable Resources that are also New Resources exceeds one megawatt, then BPA shall consider the impacts of the aggregate shape of such New Resources and may require the application of DFS to account for the impact of the aggregate shape on Orcas' load.

**3. UNSPECIFIED RESOURCE AMOUNTS****3.1 Unspecified Resource Amounts Used to Serve Total Retail Load****3.1.1 Shape of Unspecified Resource Amounts**

Orcas' Unspecified Resource Amounts shall be calculated using the selected monthly and Diurnal shapes listed below. BPA shall update the table below consistent with section 3.4.2 of the body of this Agreement.

| <b>Shape of Unspecified Resource Amounts</b> |  |                          |                             |                                |
|--|--|--------------------------|-----------------------------|--------------------------------|
|  | <b>Monthly Shape Choice</b>            |                          | <b>Diurnal Shape Choice</b> |                                |
| <b>Purchase Period</b>                       | <b>Total Retail Load Monthly Shape</b> | <b>Flat Annual Shape</b> | <b>HLH Diurnal Shape</b>    | <b>Flat Within-Month Shape</b> |
| <b>FY 2012 – FY 2014</b>                     |  | X                        |                             | X                              |
| <b>FY 2015 – FY 2019</b>                     |  | X                        |                             | X                              |
| <b>FY 2020 – FY 2024</b>                     |  | X                        |                             | X                              |
| <b>FY 2025 – FY 2028</b>                     |  | X                        |                             | X                              |

**3.1.2 Unspecified Resource Amounts**

Orcas does not have any Unspecified Resource Amounts at this time.

**3.2 Unspecified Resource Amounts for 9(c) Export Decrements**

BPA shall insert a table below pursuant to section 3.5.3 of the body of this Agreement.

**4. DEDICATED RESOURCE AMOUNTS FOR AN NLSL**

Orcas does not have any Dedicated Resource amounts serving an NLSL at this time, in accordance with section 3.5.7 of the body of this Agreement.

**5. TOTAL DEDICATED RESOURCE AMOUNTS**

Orcas does not have any Dedicated Resource amounts at this time.

**6. LIST OF RESOURCES NOT USED TO SERVE TOTAL RETAIL LOAD**

Pursuant to section 17 of the body of this Agreement, Orcas does not own any Generating Resources or Contract Resources that are (1) not Specified Resources listed in section 2 of Exhibit A, and (2) greater than 200 kilowatts of nameplate capability.

**7. LIST OF CONSUMER-OWNED RESOURCES**

**7.1 Consumer-Owned Resources Serving Onsite Consumer Load**

Pursuant to section 3.6 of the body of this Agreement, Orcas does not have any Consumer-Owned Resources serving Onsite Consumer Load at this time.

**7.2 Consumer-Owned Resources Serving Load Other than Onsite Consumer Load**

Pursuant to section 3.6 of the body of this Agreement, Orcas does not have any Consumer-Owned Resources serving load other than Onsite Consumer Load at this time.

**7.3 Consumer-Owned Resources Serving Both Onsite Consumer Load and Load Other than Onsite Consumer Load**

Pursuant to section 3.6 of the body of this Agreement, Orcas does not have any Consumer-Owned Resources serving both Onsite Consumer Load and load other than Onsite Consumer Load at this time.

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

Pursuant to section 23.3.7 of the body of this Agreement, Orcas does not have any Consumer-Owned Resources serving an NLSL at this time.

**8. TABLES FOR ALLOWABLE DEDICATED RESOURCE SHAPES**

**8.1 Total Retail Load Monthly Shape**

By March 31 immediately following each of the Fiscal Years 2010, 2015, and 2020, BPA shall fill in the table below with Orcas' Total Retail Load Monthly Shape, in accordance with section 3.4.2 of the body of this Agreement. Orcas'



Total Retail Load Monthly Shape shall be calculated by dividing Orcas' Total Retail Load (in megawatt-hours) in each month of Fiscal Years 2010, 2015, and 2020 by the Fiscal Year total of Orcas' Total Retail Load (in megawatt-hours). BPA shall weather-normalize Orcas' Total Retail Load data, prior to calculating the Total Retail Load Monthly Shape, using the same weather-normalization procedures set forth in section 4.1.1 of the TRM.

| <b>Total Retail Load Monthly Shape (%)</b> |            |            |            |            |            |            |            |            |            |            |            |            |              |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|
|  | <b>Oct</b> | <b>Nov</b> | <b>Dec</b> | <b>Jan</b> | <b>Feb</b> | <b>Mar</b> | <b>Apr</b> | <b>May</b> | <b>Jun</b> | <b>Jul</b> | <b>Aug</b> | <b>Sep</b> | <b>Total</b> |
| <b>FY 2010</b>                             |            |            |            |            |            |            |            |            |            |            |            |            | 100.0        |
| <b>FY 2015</b>                             |            |            |            |            |            |            |            |            |            |            |            |            | 100.0        |
| <b>FY 2020</b>                             |            |            |            |            |            |            |            |            |            |            |            |            | 100.0        |

Note: Fill in the table above with percents rounded to the nearest one decimal place

## 8.2 HLH Diurnal Shape

### 8.2.1 Specified Resources

If Orcas elects the HLH Diurnal Shape for its Specified Resources, Orcas shall fill in a table with monthly LLH and HLH amounts for each year of the upcoming Purchase Period for each Specified Resource. The monthly LLH and HLH distributions shall be the same across all years of a Purchase Period. Orcas shall submit the tables to BPA when Orcas makes its reshaping elections. BPA shall update the appropriate Dedicated Resource amounts pursuant to Orcas' submitted elections and consistent with section 3.4.2 of the body of this Agreement.

### 8.2.2 Unspecified Resource Amounts

If Orcas elects the HLH Diurnal Shape for its Unspecified Resource Amounts, then Orcas shall submit to BPA in writing its elected ratios of megawatt-hours per hour in HLH to megawatt-hours per hour in LLH by the Notice Deadline. Orcas shall submit to BPA twelve monthly ratios and such monthly ratios shall apply for all years of the corresponding Purchase Period. BPA shall update the table below pursuant to Orcas' submitted elections and consistent with section 3.4.2 of the body of this Agreement. BPA shall calculate Orcas' Unspecified Resource Amounts using the ratios in the table below.

| <b>HLH Diurnal Shape for Unspecified Resource Amounts</b> |                                    |            |            |            |            |            |            |            |            |            |            |            |
|---|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Purchase Period</b>                                    | <b>HLH to LLH Ratios (HLH:LLH)</b> |            |            |            |            |            |            |            |            |            |            |            |
|   | <b>Oct</b>                         | <b>Nov</b> | <b>Dec</b> | <b>Jan</b> | <b>Feb</b> | <b>Mar</b> | <b>Apr</b> | <b>May</b> | <b>Jun</b> | <b>Jul</b> | <b>Aug</b> | <b>Sep</b> |
| <b>FY 2012 – FY 2014</b>                                  |                                    |            |            |            |            |            |            |            |            |            |            |            |
| <b>FY 2015 – FY 2019</b>                                  |                                    |            |            |            |            |            |            |            |            |            |            |            |
| <b>FY 2020 – FY 2024</b>                                  |                                    |            |            |            |            |            |            |            |            |            |            |            |
| <b>FY 2025 – FY 2028</b>                                  |                                    |            |            |            |            |            |            |            |            |            |            |            |

## 9. SUPER PEAK AMOUNTS

Orcas may reshape some or all of its HLH Dedicated Resource amounts for its  
(1) Specified Resources listed in section 2 of this exhibit, except for any Small Non-

Dispatchable Resources and any Specified Resources Orcas is supporting with DFS or SCS from BPA; and (2) Unspecified Resource Amounts listed in section 3.1.2 of this exhibit; into the Super Peak Period to receive a Super Peak Credit. BPA shall update the table below consistent with section 3.4.4 of the body of this Agreement.

| Super Peak Amounts (MW)   |     |     |     |     |     |     |     |     |     |     |     |     |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Fiscal Year   | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep |
| 2012  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2013  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2014  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2015  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2016  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2017  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2018  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2019  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2020  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2021  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2022  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2023  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2024  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2025  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2026  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2027  |     |     |     |     |     |     |     |     |     |     |     |     |
| 2028  |     |     |     |     |     |     |     |     |     |     |     |     |
| Note: Fill in the table above with megawatts rounded to the nearest three decimal places. |     |     |     |     |     |     |     |     |     |     |     |     |

#### 10. REVISIONS

BPA shall revise this exhibit to reflect (1) Orcas' elections regarding the application and use of all resources owned by Orcas and Orcas' retail consumers and (2) BPA's determinations relevant to this exhibit and made in accordance with this Agreement.

(PSW-S:\PM\CUST\_SHC\OR\PSC\_2009\_PF\_Regional Dialogue\Or\_13085\_20081016\_Contract\_Final.doc) 10/16/2008

**Revision No. 1, Exhibit B**  
**HIGH WATER MARKS AND CONTRACT DEMAND QUANTITIES**  
**Effective September 15, 2011**

This revision: (1) updates section 1.1 to include Orcas' CHWM and Provisional CHWM Amount, (2) updates section 2.1 to include Orcas' monthly CDQs, and (3) adds section 2.3.

**1. CONTRACT HIGH WATER MARK (CHWM)**

**1.1 CHWM Amount**

By September 15, 2011, BPA shall fill in the table below with Orcas' CHWM. Once established, Orcas' CHWM shall not change for the term of this Agreement except (1) as outlined below for Provisional CHWM Amount, as defined in the TRM, and (2) as allowed in section 1.2 of this exhibit.

|   |        |
|---|--------|
| <b>CHWM (annual aMW):</b>   | 25.103 |
| <b>Provisional CHWM Amount (annual aMW):</b>                                  | 0.263  |
| Note: BPA shall round the numbers in the table above to three decimal places. |        |

1.1.1 Orcas's CHWM listed above includes a Provisional CHWM Amount under Adjustment Path 2. This Provisional CHWM Amount will only be retained if the retention conditions, specified in section 4.1.8 of the TRM, are achieved. BPA shall determine the amount, if any, of Orcas' Provisional CHWM Amount to be retained. By September 15, 2014, BPA shall revise the table above to include Orcas' permanent CHWM. Orcas' permanent CHWM will be effective retroactively to October 1, 2013.

1.1.2 If another utility with a CHWM annexes load of Orcas, then Orcas' CHWM, including Provisional CHWM Amount, shall be subject to change as per section 1.2.3 below. The portion of the CHWM that is Provisional CHWM Amount shall remain Provisional CHWM Amount for the utility acquiring such Annexed Load and shall be subject to the retention conditions, specified in section 4.1.8 of the TRM.

**1.2 Changes to CHWM**

If a change is made to Orcas' CHWM pursuant to this section 1.2, then BPA shall determine and notify Orcas of the date such change will be effective as follows:

1.2.1 If a load included in Orcas' Measured 2010 Load, as defined in the TRM, is later found to have been an NLSL in FY 2010, then BPA shall reduce Orcas' CHWM by the amount of the NLSL. BPA shall notify Orcas 30 days prior to when the updated CHWM will become effective. Orcas shall be liable for payment of any charges to adjust for the ineligible Tier 1 PF rate purchases dating back to October 1, 2011.

1.2.2 If Orcas acquires an Annexed Load from a utility that has a CHWM, then BPA shall increase Orcas' CHWM by adding part of the other utility's CHWM to Orcas' CHWM. The CHWM increase shall be effective on the date that Orcas begins service to the Annexed Load. BPA shall establish the amount of the CHWM addition as follows:

- (1) If Orcas and the other utility involved in the annexation agree on the amount of the CHWM addition, then BPA shall adopt that amount if BPA determines such amount is reasonable.
- (2) If Orcas and the other utility cannot agree on the amount of the CHWM addition, or if BPA determines the amount agreed to in 1.2.2(1) of this exhibit is unreasonable, then the amount of the CHWM addition shall equal the calculated amount below; provided however, BPA may adjust the calculated amount below to reflect the division of Dedicated Resources between the utilities and other pertinent information advanced by Orcas and the other utility:

$$\left[ \frac{\text{Annexed Load minus annexed NLSLs, if any}}{\text{Other utility's pre-annexation Total Retail Load minus total NLSLs, if any}} \right] \times \left[ \text{Other utility's pre-annexation CHWM} \right]$$

Any change to Orcas' CHWM related to the acquisition of an Annexed Load is subject to section 24.8 of the body of this Agreement.

1.2.3 If another utility with a CHWM annexes load of Orcas, then BPA shall reduce Orcas' CHWM by adding part of Orcas' CHWM to the other utility's CHWM. The CHWM reduction shall be effective on the date that the other utility begins service to the Annexed Load. BPA shall establish the amount of the CHWM reduction as follows:

- (1) If Orcas and the other utility involved in the annexation agree on the amount of the CHWM reduction, then BPA shall adopt that amount if BPA determines such amount is reasonable.
- (2) If Orcas and the other utility cannot agree on the amount of the CHWM reduction, or if BPA determines the amount agreed to in 1.2.3(1) of this exhibit is unreasonable, then the amount of the CHWM reduction shall equal the calculated amount below; provided however, BPA may adjust the calculated amount below to reflect the division of Dedicated Resources between the utilities and other pertinent information advanced by Orcas and the other utility:

$$\left[ \frac{\text{Annexed Load minus annexed NLSLs, if any}}{\text{Orcas' pre-annexation Total Retail Load minus total NLSLs, if any}} \right] \times \left[ \text{Orcas' pre-annexation CHWM} \right]$$



- 1.2.4 BPA may change Orcas' CHWM if BPA's Administrator determines that BPA is required by court order about an Annexed Load to make such changes. BPA shall determine the effective date of such a change and shall update this exhibit with the changed CHWM.

## 2. CONTRACT DEMAND QUANTITIES (CDQs)

### 2.1 CDQ Amounts

By September 15, 2011, BPA shall fill in the table below with Orcas' monthly CDQs. Calculation of such CDQs is established in the TRM. Orcas' monthly CDQs shall not change for the term of this Agreement except as allowed below.

| Monthly Contract Demand Quantities |       |        |       |        |       |       |       |       |       |       |       |       |
|------------------------------------|-------|--------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                    | Oct   | Nov    | Dec   | Jan    | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   |
| kW                                 | 8,518 | 11,278 | 5,747 | 10,446 | 9,774 | 8,954 | 8,249 | 5,602 | 2,933 | 3,008 | 1,521 | 3,686 |

Note: BPA shall round the amounts in the table above to the nearest whole kilowatt.

### 2.2 Changes Due to Annexation

The Parties shall determine when changes to Orcas' CDQs, as allowed below, will become effective.

- 2.2.1 If Orcas acquires an Annexed Load from a utility that has monthly CDQs, then BPA shall increase Orcas' CDQ for each month by adding the portion of the other utility's monthly CDQ that is attributable to such Annexed Load. For each month, the sum of Orcas' and the other utility's post-annexation CDQs shall not exceed the sum of the pre-annexation CDQs for such utilities. BPA shall establish the amount of the CDQ additions as follows:

- (1) If Orcas and the other utility involved in the annexation agree on the amounts of the CDQ additions, then BPA shall adopt those amounts.
- (2) If Orcas and the other utility cannot agree on the amounts of the CDQ additions, then BPA shall determine the amounts based on the monthly load factors of the Annexed Load.

- 2.2.2 If another utility with monthly CDQs annexes load of Orcas, then BPA shall reduce Orcas' CDQ for each month by removing the portion of Orcas' monthly CDQ that is attributable to the load that was annexed. For each month, the sum of Orcas' and the other utility's post-annexation CDQs shall not exceed the sum of the pre-annexation CDQs for such utilities. BPA shall establish the amount of the CDQ reductions as follows:

- (1) If Orcas and the other utility involved in the annexation agree on the amounts of the CDQ reductions, then BPA shall adopt those amounts.
- (2) If Orcas and the other utility cannot agree on the amounts of the CDQ reductions, then BPA shall determine the amounts based on the monthly load factors of the Annexed Load.

**2.3 Changes Due to Retained Provisional CHWM Amount**

When BPA determines the amount, if any, of Orcas' Provisional CHWM Amount retained in accordance with section 4.1.8 of the TRM, BPA shall adjust Orcas' CDQs consistent with section 4.1.9 of the TRM. By September 15, 2014, BPA shall revise the table in section 2.1 above to include Orcas' permanent monthly CDQs.

**3. REVISIONS**

BPA may revise this exhibit to the extent allowed in sections 1 and 2 of this exhibit. All other changes shall be made by mutual agreement.

**4. SIGNATURES**

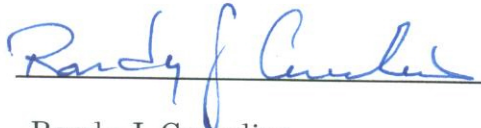
The Parties have caused this revision to be executed as of the date both Parties have signed this revision.

ORCAS POWER & LIGHT COOPERATIVE

UNITED STATES OF AMERICA

Department of Energy  
Bonneville Power Administration

By

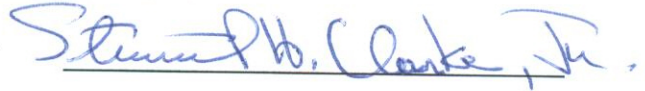


Name Randy J. Cornelius

Title General Manager

Date 8/15/11

By



Name Stuart H. Clarke, Jr.

Title Senior Account Executive

Date 8/17/11

(PSW-S:\PM\CUST\_SHC\OR\PSC\_2009\_PF\_Regional Dialogue\Exhibit B\Exh B\_Rev#1 CDQ+CHWM\Or\_13085\_20110714\_Exh B\_Rev #1\_Final.doc) 07/28/2011

**Revision No. 2, Exhibit C  
PURCHASE OBLIGATIONS  
Effective on March 31, 2013**

This revision updates section 2.5.2 to add Orcas' Tier 2 purchase amounts for the FY 2014 – FY 2015 Rate Period.

**1. FIRM REQUIREMENTS POWER AT TIER 1 RATES**

The portion of Orcas' purchase obligation that is priced at Tier 1 Rates is established in section 8.1(1) of the body of this Agreement.

**2. FIRM REQUIREMENTS POWER AT TIER 2 RATES**

**2.1 Notice to Purchase Zero Amounts at Tier 2 Rates**

If Orcas elects not to purchase Firm Requirements Power at Tier 2 Rates for a Purchase Period, then by March 31 immediately following the corresponding Notice Deadline, BPA shall update this exhibit to indicate such election by adding an "X" to the applicable cell in the following table. Such election means that for the Purchase Period specified below, Orcas shall:

- (1) purchase zero amounts of Firm Requirements Power at Tier 2 Rates, and
- (2) serve all of its Above-RHWM Load that is greater than or equal to 8,760 megawatt-hours with power other than Firm Requirements Power.

Orcas may serve its Above-RHWM Load that is less than 8,760 megawatt-hours with power other than Firm Requirements Power.

| <b>Zero Tier 2</b> | <b>Purchase Period</b> |
|--------------------|------------------------|
|                    | FY 2012 - FY 2014      |
|                    | FY 2015 - FY 2019      |
|                    | FY 2020 - FY 2024      |
|                    | FY 2025 - FY 2028      |

**2.2 Tier 2 Load Growth Rate**

**2.2.1 First Election Opportunity**

If Orcas elects by the first Notice Deadline (November 1, 2009) to purchase Firm Requirements Power at Tier 2 Load Growth Rates starting October 1, 2011, then in its election Orcas shall elect one of the three Tier 2 Load Growth Rate options listed in section 2.2.3 of this exhibit. If Orcas elects Option 3, then Orcas shall state the amounts to be listed in the table in section 2.2.3.3 of this exhibit and Orcas' Tier 2 Short-Term Rate election pursuant to section 2.4.1 of this exhibit. BPA shall amend this exhibit by March 31, 2010, to indicate Orcas' election by adding an "X" to the "1<sup>st</sup> Notice Deadline" box next to the applicable option below. If Orcas does not elect to purchase Firm Requirements Power at Tier 2 Load Growth Rates by the first Notice Deadline, then Orcas shall not have the right to purchase Firm Requirements Power at Tier 2 Load Growth Rates during the first Purchase Period.

## 2.2.2 Second Election Opportunity

2.2.2.1 If Orcas does not elect to purchase Firm Requirements Power at Tier 2 Load Growth Rates starting the first Purchase Period, then Orcas may purchase Firm Requirements Power at Tier 2 Load Growth Rates starting October 1, 2014, provided:

- (1) any elections of Tier 2 Rate alternatives or additions of New Resources under this Agreement that extend beyond the initial Purchase Period shall continue to apply for their term, and
- (2) the Tier 2 Load Growth Rate applicable under this election may be different than the Tier 2 Load Growth Rate that was available during the first Purchase Period.

2.2.2.2 If Orcas elects by the second Notice Deadline (September 30, 2011) to purchase Firm Requirements Power at Tier 2 Load Growth Rates, then in its election Orcas shall elect one of the three Tier 2 Load Growth Rate options listed in section 2.2.3 of this exhibit. In such case, Orcas shall purchase Firm Requirements Power at Tier 2 Load Growth Rates under such elected option starting October 1, 2014.

2.2.2.3 If Orcas elects Option 3, described in section 2.2.3.3 of this exhibit, then Orcas shall state the amounts to be listed in the table in section 2.2.3.3 of this exhibit and Orcas' Tier 2 Short-Term Rate election pursuant to section 2.4.1 of this exhibit. If Orcas has prior elections of rate alternatives or resource additions that extend beyond the first Purchase Period, then Orcas shall not have the right to elect Options 1 or 2 below. In such case, the amounts listed in the table in section 2.2.3.3 of this exhibit shall not be less than the sum of Orcas' prior elections for each year.

2.2.2.4 BPA shall amend this exhibit by March 31, 2012, to indicate Orcas' election by adding an "X" to the "2<sup>nd</sup> Notice Deadline" box next to the applicable option below. If Orcas does not elect to purchase Firm Requirements Power at Tier 2 Load Growth Rates by the second Notice Deadline, then Orcas shall not purchase Firm Requirements Power at Tier 2 Load Growth Rates for the term of this Agreement.



### 2.2.3 Tier 2 Load Growth Rate Options

1<sup>st</sup> Notice Deadline ☒  
2<sup>nd</sup> Notice Deadline ☐

#### 2.2.3.1 Option 1 - Full Tier 2 Load Growth Rate

If Orcas elects this option, then Orcas shall purchase Firm Requirements Power at Tier 2 Load Growth Rates for all of Orcas' Above-RHWM Load.

1<sup>st</sup> Notice Deadline ☐  
2<sup>nd</sup> Notice Deadline ☐

#### 2.2.3.2 Option 2 - Shared Rate Plan

##### (1) Obligation

If Orcas elects this option, provided that BPA determines Orcas qualifies under the limit for the Shared Rate Plan as established in section 7 of the TRM, then Orcas shall pay rates under the Shared Rate Plan for Firm Requirements Power purchased under this Agreement. If BPA determines Orcas does not qualify under such limit, then Orcas shall not have the right to elect this option and Orcas shall purchase Firm Requirements Power at Tier 2 Load Growth Rates under Option 1 as established in section 2.2.3.1 of this exhibit. For the second election opportunity stated in section 2.2.2 of this exhibit, availability under the limit for the Shared Rate Plan established in section 7 of the TRM shall equal such limit minus the amounts used by other customers who elected this Option 2 by the first Notice Deadline.

##### (2) Terminating Participation

Orcas may terminate participation in the Shared Rate Plan by providing BPA notice in writing by March 31 of a Forecast Year. In such case, the change shall be effective the next Rate Period. If Orcas stops participation in the Shared Rate Plan, then Orcas shall not have the right to resume participation. Orcas shall continue to purchase Firm Requirements Power priced at Tier 2 Load Growth Rates for all of Orcas' Above-RHWM Load.

1<sup>st</sup> Notice Deadline ☐  
2<sup>nd</sup> Notice Deadline ☐

#### 2.2.3.3 Option 3 - Partial Tier 2 Load Growth Rate

If Orcas elects this option, then Orcas shall purchase Firm Requirements Power at Tier 2 Load Growth Rates for all of Orcas' Above-RHWM Load minus the amounts stated in the table below that Orcas elects are not subject to Tier 2 Load Growth Rates. Orcas shall establish such amounts at the time Orcas elects this option and such amounts shall not change for the term of this Agreement. Orcas may serve such amounts with Dedicated Resources or with Firm Requirements Power purchased at other Tier 2 Rates. BPA shall update the table

below by March 31 immediately following Orcas' election of this option.

| <b>Load Amounts Not Subject To Tier 2 Load Growth Rates (aMW)</b>                            |             |             |             |             |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Fiscal Year</b>   | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> |
| <b>Annual aMW</b>  |             |             |             |             |             |             |             |             |             |
| <b>Fiscal Year</b>   | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025</b> | <b>2026</b> | <b>2027</b> | <b>2028</b> |             |
| <b>Annual aMW</b>  |             |             |             |             |             |             |             |             |             |
| Note: Fill in the table above with annual Average Megawatts rounded to three decimal places. |             |             |             |             |             |             |             |             |             |

## 2.2.4 Modification to Tier 2 Load Growth Rate Election

### 2.2.4.1 Notice

Orcas shall have the right to stop purchasing Firm Requirements Power at Tier 2 Load Growth Rates effective the upcoming Rate Period, except for the amount established in section 2.2.4.2 of this exhibit. If Orcas chooses to modify its purchases at Tier 2 Load Growth Rates in this manner, then Orcas shall notify BPA in writing by October 31 of a Rate Case Year.

### 2.2.4.2 Continued Purchase Amount

For the remaining term of this Agreement, Orcas shall continue to purchase at Tier 2 Load Growth Rates the amount of Firm Requirements Power that Orcas purchased at Tier 2 Load Growth Rates the year before the modification described above is effective.

### 2.2.4.3 Obligation to Apply Dedicated Resources

If Orcas provides notice to modify its purchases at Tier 2 Load Growth Rates under section 2.2.4.1 of this exhibit, then for the remainder of the effective Purchase Period and all of the next Purchase Period, Orcas shall apply Dedicated Resources to serve all of its Above-RHWM Load that is in excess of the sum of all Tier 2 commitments.

### 2.2.4.4 Charges to Modify Tier 2 Load Growth Rate Purchase

Orcas shall be liable for payment of any costs that apply as a result of Orcas modifying its Tier 2 Load Growth Rate purchase obligation under this section 2.2.4. Such costs shall be those that BPA: (1) is obligated to pay and will not recover from Orcas at Tier 2 Load Growth Rates as a result of the modification, and (2) is unable to recover through other transactions. BPA shall determine such costs, if any, during the 7(i) Process that follows Orcas' notice. If BPA determines that Orcas owes payment for such costs, then Orcas shall pay the entire amount to BPA in no more than 24 equal monthly amounts starting the first month of the upcoming Rate Period. In no event shall BPA make payment to Orcas as a result of Orcas modifying its Tier 2 Load Growth Rate purchase obligation under this section 2.2.4.

#### 2.2.4.5 Exhibit Update

By March 31 following Orcas' notice, BPA shall indicate Orcas' election to modify its Tier 2 Load Growth Rate purchase by filling in the table below. As established in section 2.2.4.2 of this exhibit, Orcas shall continue to purchase the following amounts of Firm Requirements Power at Tier 2 Load Growth Rates:

| Continuing Tier 2 Load Growth Rates Purchase Obligation  |      |      |      |      |      |
|--|------|------|------|------|------|
| Fiscal Year  | 2012 | 2013 | 2014 | 2015 | 2016 |
| aMW  |      |      |      |      |      |
| Fiscal Year  | 2017 | 2018 | 2019 | 2020 | 2021 |
| aMW  |      |      |      |      |      |
| Fiscal Year  | 2022 | 2023 | 2024 | 2025 | 2026 |
| aMW  |      |      |      |      |      |
| Fiscal Year  | 2027 | 2028 |      |      |      |
| aMW  |      |      |      |      |      |
| Note: Fill in the table above with annual Average Megawatts, rounded to three decimal places, for each year that follows Orcas’ modification beginning with the effective year of modification |      |      |      |      |      |

### 2.3 Tier 2 Vintage Rates

If Orcas elects Option 1 or 2 in section 2.2.3 of this exhibit, then this section shall not apply. Otherwise:

#### 2.3.1 Election Process

##### 2.3.1.1 Right to Convert

Subject to the amounts of power BPA makes available at one or more Tier 2 Vintage Rates, Orcas shall have the right to convert some or all of the amounts of Firm Requirements Power it has elected to purchase at Tier 2 Short-Term Rates, as stated in section 2.4 of this exhibit, to an equal purchase amount at Tier 2 Vintage Rates.

##### 2.3.1.2 Statement of Intent

If Orcas elects to purchase Firm Requirements Power from BPA at Tier 2 Vintage Rates, then Orcas shall sign a Statement of Intent offered by BPA. "Statement of Intent" means a statement prepared by BPA and signed by Orcas that describes the approach and cost structure that will be used for a specific Tier 2 Cost Pool. If BPA establishes a Tier 2 Cost Pool for a Tier 2 Vintage Rate consistent with the Statement of Intent, then Orcas agrees to have the portion of its Tier 2 Rate power purchase specified in the Statement of Intent priced at that rate. If BPA is unable to establish the Tier 2 Cost Pool for the specific Tier 2 Vintage Rate, then Orcas agrees to purchase such amount of Firm Requirements

Power at Tier 2 Short-Term Rates, except as stated in section 2.3.1.5 of this exhibit.

**2.3.1.3 Insufficient Availability**

The Statement of Intent shall include procedures to allocate between competing applications for a specific Tier 2 Cost Pool if requests exceed amounts available.

**2.3.1.4 Conversion Costs**

Upon establishment of a Tier 2 Vintage Rate for which Orcas signed a Statement of Intent, Orcas shall be liable for payment of any outstanding costs under Tier 2 Short-Term Rates that apply to Orcas. Such costs shall be those that BPA: (1) is obligated to pay and will not recover from Orcas under Tier 2 Short-Term Rates as a result of the conversion, and (2) is unable to recover through other transactions. BPA shall determine such costs, if any, in the first 7(i) Process that establishes the applicable Tier 2 Vintage Rate. In no event shall BPA make payment to Orcas as a result of Orcas' conversion of purchase amounts at Tier 2 Short-Term Rates to purchase amounts at Tier 2 Vintage Rates.

**2.3.1.5 Additional Offerings**

In addition to the right to convert to Tier 2 Vintage Rates established in section 2.3.1.1 of this exhibit, Orcas may have the opportunity to purchase Firm Requirements Power at Tier 2 Vintage Rates regardless of whether Orcas is purchasing at Tier 2 Short-Term Rates if:

- (1) BPA determines, in its sole discretion, that all requests for service at Tier 2 Vintage Rates by purchasers of Firm Requirements Power at Tier 2 Short-Term Rates are able to be satisfied, and
- (2) BPA determines, in its sole discretion, to offer Orcas a Statement of Intent that would provide Orcas the opportunity to purchase Firm Requirements at Tier 2 Vintage Rates.

If Orcas signs a Statement of Intent offered by BPA pursuant to this section 2.3.1.5, and if BPA is unable to establish the Tier 2 Cost Pool for the applicable Tier 2 Vintage Rate, then Orcas' current elections for service to its Above-RHWM Load shall continue to apply.

Except as provided in this section 2.3.1, any election by Orcas to purchase Firm Requirements Power at Tier 2 Vintage Rates shall not relieve Orcas of any obligation to purchase Firm Requirements Power at another Tier 2 Rate.

#### **2.3.1.6 Exhibit Updates**

By September 15 immediately following the establishment of a Tier 2 Vintage Rate for which Orcas signed a Statement of Intent, BPA shall amend this exhibit to show Orcas' Tier 2 Vintage Rate purchases and remove Orcas' Tier 2 Short-Term Rate purchases by the amounts purchased at the Tier 2 Vintage Rate, if Orcas is converting to the Tier 2 Vintage Rate from the Tier 2 Short-Term Rate. BPA shall insert applicable tables, terms, and conditions for each Tier 2 Vintage Rate in section 2.3.2 of this exhibit.

#### **2.3.2 Vintage Rate Elections**

Orcas has no Tier 2 Vintage Rate elections at this time.

### **2.4 Tier 2 Short-Term Rate**

If Orcas elects Option 1 or 2 in section 2.2.3 of this exhibit, then this section shall not apply. Otherwise:

#### **2.4.1 Short-Term Rate Purchases**

Unless Orcas elects, in section 2.1 of this exhibit, not to purchase Firm Requirements Power at Tier 2 Rates for a given Purchase Period, by each Notice Deadline Orcas shall elect in writing either alternative (A) or (B) below for the duration of the corresponding Purchase Period. If Orcas elects alternative (A) and elects to apply Dedicated Resources to serve its Above-RHWM Load, then Orcas shall state the amounts to be listed in the table in section 2.4.1.1(2) of this exhibit. If Orcas elects alternative (B), then Orcas shall state the amounts to be listed in the table in section 2.4.1.3 of this exhibit. By March 31 immediately following each Notice Deadline, BPA shall update the tables in this section 2.4.1 to show Orcas' Tier 2 Short-Term Rate election for the corresponding Purchase Period.

##### **2.4.1.1 Alternative A – Customer Planned Load Not Otherwise Served**

If Orcas elects this alternative, then Orcas shall purchase Firm Requirements Power priced at Tier 2 Short-Term Rates to serve all of Orcas' Above-RHWM Load that Orcas has not otherwise agreed to serve with:

- (1) Firm Requirements Power purchased at other Tier 2 Rates, or
- (2) the amounts of Dedicated Resources, stated in the table below, that Orcas shall apply during the Purchase Period to serve its Above-RHWM Load. If Orcas purchases power at Tier 2 Load Growth Rates, then these Dedicated Resource amounts shall not

exceed the amounts stated in the table in section 2.2.3.3 of this exhibit.

| Purchase Period Dedicated Resource Elections   |      |      |      |      |      |
|--|------|------|------|------|------|
| Fiscal Year  | 2012 | 2013 | 2014 | 2015 | 2016 |
| Election   |      |      |      |      |      |
| Fiscal Year  | 2017 | 2018 | 2019 | 2020 | 2021 |
| Election   |      |      |      |      |      |
| Fiscal Year  | 2022 | 2023 | 2024 | 2025 | 2026 |
| Election   |      |      |      |      |      |
| Fiscal Year  | 2027 | 2028 |      |      |      |
| Election   |      |      |      |      |      |
| Note: Insert amounts in Average Megawatts rounded to three decimal places for each year of the applicable Purchase Period. |      |      |      |      |      |

#### 2.4.1.2 **Alternative B – Limited Amounts**

If Orcas elects this alternative, then Orcas shall purchase Firm Requirements Power at Tier 2 Short-Term Rates to serve Orcas' Above-RHWM Load that Orcas has not otherwise agreed to serve with Firm Requirements Power purchased at other Tier 2 Rates; provided however, that amounts purchased at Tier 2 Short-Term Rates shall not exceed the amounts (including zero amounts) stated in the table in section 2.4.1.3 of this exhibit. Orcas agrees to serve any of its remaining Above-RHWM Load with power other than Firm Requirements Power.

#### 2.4.1.3 **Tier 2 Short-Term Rate Elections**

If Orcas elects alternative (A) above, then BPA shall indicate that election by adding an "X" to the table below for each year of the applicable Purchase Period. If Orcas elects alternative (B) above, then BPA shall indicate that election by adding amounts (in Average Megawatts rounded to three decimal places) to the table below for each year of the applicable Purchase Period.

| <b>Tier 2 Short-Term Rate Table</b> |             |             |             |             |             |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Fiscal Year</b>                  | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> |
| <b>Election</b>                     |             |             |             |             |             |
| <b>Fiscal Year</b>                  | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> |
| <b>Election</b>                     |             |             |             |             |             |
| <b>Fiscal Year</b>                  | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025</b> | <b>2026</b> |
| <b>Election</b>                     |             |             |             |             |             |
| <b>Fiscal Year</b>                  | <b>2027</b> | <b>2028</b> |             |             |             |
| <b>Election</b>                     |             |             |             |             |             |

## **2.4.2 Right to Reduce Tier 2 Short-Term Rate Purchase Amounts**

### **2.4.2.1 Notice**

If Orcas notifies BPA in writing by October 31 of a Rate Case Year, then Orcas may reduce, in equal amounts for all hours of the year, some or all of the amounts of Firm Requirements Power that Orcas is obligated to purchase at Tier 2 Short-Term Rates. The reduction may take effect in either year of the upcoming Rate Period and shall be effective for the remaining duration of the applicable Purchase Period(s). In its written notice, Orcas shall state the amount of the reduction and the date the reduction shall take effect. Orcas shall replace all reduced Tier 2 Short-Term Rate purchase amounts with amounts of Dedicated Resources applied pursuant to section 3.3 of the body of this Agreement.

### **2.4.2.2 Charges to Reduce Purchase Amounts**

Orcas shall be liable for payment of any costs that apply as a result of Orcas reducing, under section 2.4.2.1 of this exhibit, the amounts of Firm Requirements Power that Orcas is obligated to purchase at Tier 2 Short-Term Rates. Such costs shall be those that BPA: (1) is obligated to pay and will not recover from Orcas under Tier 2 Short-Term Rates as a result of the reduction, and (2) is unable to recover through other transactions. BPA shall determine such costs, if any, during the 7(i) Process that follows Orcas' notice. If BPA determines that Orcas owes payment for such costs, then Orcas shall pay the entire amount to BPA in no more than 24 equal monthly amounts starting the first month of the upcoming Rate Period. In no event shall BPA make payment to Orcas as a result of Orcas reducing the amounts of Firm Requirements Power that Orcas is obligated to purchase at Tier 2 Short-Term Rates.

### **2.4.2.3 Exhibit Updates**

By March 31 following Orcas' notice, BPA shall revise this exhibit and Exhibit A to show Orcas' reduced Tier 2 Short-Term Rate purchase amounts and Orcas' Dedicated Resource additions.

## **2.5 Amounts of Power to be Billed at Tier 2 Rates**

### **2.5.1 Treatment for FY 2012 – FY 2013**

By March 31, 2010, BPA shall update the table in section 2.5.2 of this exhibit, consistent with Orcas' elections, with amounts of Firm Requirements Power which Orcas shall purchase at applicable Tier 2 Rates for the FY 2012 – FY 2013 Rate Period.

### 2.5.2 Amounts of Power for Subsequent Rate Periods

For each Rate Period after the FY 2012 – FY 2013 Rate Period, BPA shall establish for the upcoming Rate Period consistent with Orcas' elections: (1) the planned annual average amounts of Firm Requirements Power which Orcas shall purchase at applicable Tier 2 Rates, and (2) any remarketed Tier 2 Rate purchase amounts in accordance with section 10 of the body of this Agreement. By March 31, 2013, and by March 31 of each Rate Case Year thereafter, BPA shall update the table below with such amounts for each year of the upcoming Rate Period.

| Annual Amounts Priced at Tier 2 Rates (aMW) |       |       |       |       |      |      |      |      |      |
|---|-------|-------|-------|-------|------|------|------|------|------|
| Fiscal Year                                 | 2012  | 2013  | 2014  | 2015  | 2016 | 2017 | 2018 | 2019 | 2020 |
| Tier 2 Load Growth Rate                     | 0.000 | 0.000 | 1.313 | 1.673 |      |      |      |      |      |
| Remarketed Amounts                          |       |       |       |       |      |      |      |      |      |
| Fiscal Year                                 | 2021  | 2022  | 2023  | 2024  | 2025 | 2026 | 2027 | 2028 |      |
| No Tier 2 at this time                      |       |       |       |       |      |      |      |      |      |
| Remarketed Amounts                          |       |       |       |       |      |      |      |      |      |

Notes:  
1. List each applicable Tier 2 rate in the table above. For the first applicable Tier 2 rate replace **No Tier 2 at this time** with the name of the applicable Tier 2 rate. For each additional Tier 2 rate, add a new row above the **Remarketed Amounts** row. If Orcas elects not to purchase at Tier 2 rates, then leave **No Tier 2 at this time** in the table and leave the remainder of the table blank.  
2. Fill in the table above with annual Average Megawatts rounded to three decimal places.

### 3. MONTHLY PF RATES

Applicable monthly Tier 1 and Tier 2 Rates are specified in BPA Wholesale Power Rate Schedules and GRSPs.

### 4. REVISIONS

BPA shall revise this exhibit to reflect Orcas' elections regarding service to its Above-RHWM Load and BPA's determinations relevant to this exhibit and made in accordance with this Agreement.

(PSW - S:\PM\CUST\_SHC\OR\PSC\_2009\_PF\_Regional Dialogue\Exhibit C\Exh C\_Rev#2 - Tier2FY14-15\Or\_13085\_20130315\_Exh C\_Rev#2\_Final.doc) 03/15/2013



**Exhibit D  
ADDITIONAL PRODUCTS AND SPECIAL PROVISIONS**

**1. CF/CT AND NEW LARGE SINGLE LOADS**

**1.1 CF/CT Loads**

Orcas has no loads identified that were contracted for, or committed to (CF/CT), as of September 1, 1979, as defined in section 3(13)(A) of the Northwest Power Act.

**1.2 Potential NLSLs**

Orcas has no identified potential NLSLs.

**1.3 Existing NLSLs**

Orcas has no existing NLSLs.

**2. RESOURCE SUPPORT SERVICES**

2.1 BPA shall develop the RSS products to support applicable Specified Resources listed in section 2 of Exhibit A for the FY 2012-2014 Purchase Period and offer such as a revision to this exhibit by August 1, 2009. Prior to that date, BPA shall provide Orcas a reasonable opportunity to provide input into the development of the products and the related contract provisions. If Orcas requests that BPA provide such service, then the Parties shall execute a revision to this exhibit by the November 1, 2009, Notice Deadline. By each Notice Deadline thereafter, Orcas may purchase RSS from BPA to support applicable Specified Resources listed in section 2 of Exhibit A for the corresponding Purchase Period.

2.2 If Orcas adds a new Specified Resource within a Purchase Period to meet its obligations to serve Above-RHWM Load with Dedicated Resources, consistent with section 3.5.1 of the body of this Agreement, Orcas may purchase RSS from BPA to support such resource. Such purchase shall be for the remainder of the Purchase Period and for the following Purchase Period. Orcas shall notify BPA of its decision to purchase RSS for a new Specified Resource by October 31 of a Rate Case Year and the elected RSS will be effective at the start of the upcoming Rate Period.

**3. REVISIONS**

This exhibit shall be revised by mutual agreement of the Parties to reflect additional products Orcas purchases during the term of this Agreement.

**Revision No. 1, Exhibit E**  
**METERING**  
**Effective October 1, 2011**

This revision removes Meter Point Number 919, Fidalgo #3 Out, to reflect the retiring of the meter from service on September 11, 2008.

**1. METERING**

**1.1 Directly Connected Points of Delivery and Load Metering**

None.

**1.2 Transfer Point of Delivery and Load Metering**

**BPA POD Name:** Lopez Island 69 kV;

**BPA POD Number:** 816;

**WECC Balancing Authority:** BPAT;

**Location:** the point in BPA's Lopez Substation where the 69 kV facilities of BPA and Orcas are connected;

**Voltage:** 69 kV;

**Metering:**

- (A) in BPA's Fidalgo Substation in the 115 kV circuit over which such electric power flows;

**BPA Meter Point Name:** Fidalgo #4 Out;

**BPA Meter Point Number:** 335;

**Direction for PF Billing Purposes:** Positive;

**Manner of Service:** Transfer, BPA to Puget Sound Energy to BPA to Orcas;

- (B) in BPA's Fidalgo Substation in the 69 kV circuit over which such electric power flows;

**BPA Meter Point Name:** Fidalgo #5 69 kV Out;

**BPA Meter Point Number:** 2387;

**Direction for PF Billing Purposes:** Positive;

**Manner of Service:** Transfer, BPA to Puget Sound Energy to BPA to Orcas;

**Metering Loss Adjustment:** BPA shall adjust for losses between the POD and the Fidalgo #4 Out and Fidalgo #5 69 kV Out POMs. Such adjustments shall be specified in writing between BPA and Orcas;

**Exception:** None.

1.3 **Resource Locations and Metering**  
None.

2. **REVISIONS**

Each Party shall notify the other in writing if updates to this exhibit are necessary to accurately reflect the actual characteristics of POD and meter information described in this exhibit. The Parties shall revise this exhibit to reflect such changes. The Parties shall mutually agree on any such exhibit revisions and agreement shall not be unreasonably withheld or delayed. The effective date of any exhibit revision shall be the date the actual circumstances described by the revision occur.

3. **SIGNATURES**

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

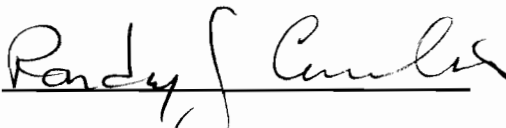
ORCAS POWER & LIGHT COOPERATIVE

UNITED STATES OF AMERICA

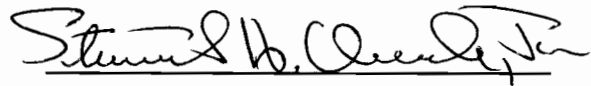
Department of Energy

Bonneville Power Administration

By



By



Name

Randy J. Cornelius  
(Print/Type)

Name

Stuart H. Clarke, Jr.  
(Print/Type)

Title

General Manager

Title

Senior Account Executive

Date

May 11, 2010

Date

May 6, 2010

(PSW/Seattle-S:\PM\CUST\_SHC\OR\PSC\_2009\_PF\_Regional Dialogue\Exh E\_Rev#1\Or\_13085\_20100506\_Exh E\_Rev#1\_Final.doc) 05/06/2010

**Revision No. 1, Exhibit F**  
**TRANSMISSION SCHEDULING SERVICE**  
**Effective on the Date Executed by Both Parties**

This revision incorporates the provisions for the Transmission Curtailment Management Service (TCMS) as a feature of Transmission Scheduling Service.

**1. DEFINITIONS, PURPOSE AND PARAMETERS**

**1.1 Definitions**

1.1.1 "Planned Transmission Outage" means an event that reduces the transmission capacity on a segment of the transmission path used to deliver Orcas' Dedicated Resource prior to the initial approval of the E-Tag.

1.1.2 "Transmission Curtailment" means an event that is initiated by a transmission provider through a curtailment to the E-Tag as a result of transmission congestion or an outage on the path used to deliver Orcas' Dedicated Resource.

1.1.3 "Transmission Event" means a Planned Transmission Outage or a Transmission Curtailment.

**1.2 Purpose**

Transmission Scheduling Service is provided by Power Services to help Orcas manage certain aspects of its BPA Network Integration Transmission Service Agreement (BPA NT Agreement), to allow BPA to use the inherent flexibilities of Orcas' network rights in combination with other network customers' rights to manage BPA's power resources efficiently, and to provide seamless scheduling for Transfer Service customers.

**1.3 Parameters of Transmission Scheduling Service**

Beginning October 1, 2011, and through the term of this Agreement, Power Services shall provide and Orcas shall purchase Transmission Scheduling Service. Power Services shall schedule Orcas' federal power and Dedicated Resources to Orcas' Total Retail Load under Orcas' BPA NT Agreement and/or other transmission agreement(s). Power Services shall not provide Transmission Scheduling Service for anything other than delivery to Orcas' Total Retail Load.

Power Services shall perform all necessary prescheduling and real-time scheduling functions, and make other arrangements and adjustments, consistent with any RSS products and any other products and services Orcas is purchasing from Power Services. Orcas shall continue to be responsible for all non-scheduling provisions of its transmission agreement(s) used to serve Orcas' Total Retail Load, in accordance with the applicable OATT, including, but not limited to, the designation and undesignation of Network Resources, as defined by the applicable OATT.

Orcas shall be subject to the rates, terms and conditions for Transmission Scheduling Service specified in BPA's applicable Wholesale Power Rate Schedules and GRSPs.

**2. ASSIGNMENT OF SCHEDULING RIGHTS**

Prior to Power Services providing Transmission Scheduling Service, Orcas shall:

- (1) notify Transmission Services that Power Services is the scheduling entity for service taken under Orcas' BPA NT Agreement;
- (2) assign Power Services the right to acquire and manage secondary service pursuant to section 28.4 of the BPA OATT as necessary to fulfill BPA's obligations under this Agreement; and
- (3) provide copies of Orcas' transmission agreement(s) used to serve Orcas' Total Retail Load.

Additionally, over the term of this Agreement, Orcas shall provide Power Services with any additional transmission agreements Orcas enters into which are used for service to its Total Retail Load and all amendments and modifications to current copies of Orcas' transmission agreement(s).

**3. LOAD FORECAST**

If a daily load forecast is required by Orcas' transmission agreement(s), then BPA shall develop the daily and hourly load forecasts for Orcas' Total Retail Load. Orcas shall cooperate with BPA in all load forecasting. If any load specific information is needed for developing a daily or hourly load forecast, then Orcas shall provide such information in a timely manner.

**4. SCHEDULING OF ORCAS' DEDICATED RESOURCES**

**4.1 Prescheduling**

Orcas shall submit a delivery schedule to Power Services for its Dedicated Resources for delivery to its Total Retail Load which shall include information such as the source, any points of receipt, any Open Access Same-time Information System (OASIS) reservation reference numbers needed for the delivery of non-federal power, the daily megawatt profile, and all purchasing selling entities in the path. This delivery schedule shall be submitted to Power Services by the earlier of one hour prior to the close of the firm transmission prescheduling deadline associated with the transmission agreement(s) used to deliver power to Orcas' Total Retail Load, or 1100 hours Pacific Prevailing Time (PPT) on the preschedule day.

Orcas shall submit all required prescheduled information in a format specified by Power Services.

At Power Services' request, Orcas shall provide Power Services information on real power losses associated with Orcas' transmission agreement(s).

#### **4.2 Real-Time Scheduling**

Power Services shall accept megawatt adjustments to Orcas' Dedicated Resource schedule(s) up to the earlier of 45 minutes prior to the hour of delivery or 25 minutes prior to the earliest of the transmission real-time scheduling deadlines associated with delivery of power to Orcas' Total Retail Load.

Orcas shall submit all required real-time scheduling information in a format specified by Power Services.

#### **4.3 Transmission Curtailments**

##### **4.3.1 Notification Preference**

Prior to the delivery of Orcas' Dedicated Resources to Orcas' load, Orcas shall notify BPA whether it wants to receive either an electronic copy of the E-Tag or an e-mail of a Transmission Curtailment that impacts any of Orcas' Dedicated Resources. If Orcas chooses notification of Transmission Curtailments by e-mail, then Orcas shall provide BPA a single e-mail address for BPA to send such notifications to, and the Parties shall revise the table in section 4.3.6 below to include the e-mail address. BPA shall notify Orcas no later than ten minutes after a Transmission Curtailment.

##### **4.3.2 Transmission Curtailment Management Service (TCMS)**

As a feature of Transmission Scheduling Service, BPA shall provide Transmission Curtailment Management Service (TCMS) for certain Orcas Dedicated Resources that require an E-Tag for delivery. TCMS coverage shall apply when Transmission Events impact eligible resources, with certain limitations as described throughout this section 4.3.

In accordance with the BPA OATT, TCMS coverage shall not apply while Transmission Services is redispatching Orcas' Dedicated Resource(s) to serve Orcas' load during a Transmission Event.

##### **4.3.3 Curtailment and Outage Terms and Conditions for Resources without TCMS**

This section 4.3.3 shall apply to Orcas' Dedicated Resources for which Power Services is not providing TCMS coverage.

4.3.3.1 If a Transmission Curtailment occurs prior to 45 minutes before the hour of delivery, then Orcas shall be responsible for securing replacement energy or alternate transmission, arranging delivery to the Balancing Authority Area in which Orcas is located, and notifying Power Services of the revised delivery schedule prior to 45 minutes before the hour of delivery.

If Power Services is unable to secure secondary network transmission for the replacement resource because Orcas did not notify Power Services of the revised delivery schedule prior to 45 minutes prior to the hour of delivery or secondary network transmission is unavailable, then Orcas shall be subject to charges consistent with the provisions of this Agreement and all related products and BPA's power rate schedules, including UAI charges.

- 4.3.3.2 Power Services shall not accept replacement delivery schedules for Transmission Curtailments that occur less than 45 minutes before the delivery hour. Orcas shall be subject to charges consistent with the provisions of this Agreement and all related products and BPA's power rate schedules, including UAI charges.
- 4.3.3.3 If a Planned Transmission Outage is announced prior to Orcas' submission of a delivery schedule in pre-schedule, then Orcas shall be responsible for securing replacement energy or alternate transmission, arranging delivery to the Balancing Authority Area in which Orcas is located, and notifying Power Services of the revised delivery schedule prior to the preschedule deadline described in section 4.1 of this exhibit.

#### **4.3.4 TCMS Coverage Eligibility, Determination and Termination**

##### **4.3.4.1 Eligibility of Resources for TCMS Coverage**

Power Services shall provide TCMS coverage for Orcas' Dedicated Resource if such resource has been granted firm transmission by all applicable transmission providers.

Power Services may, on a case-by-case basis and with certain limitations on the service, provide TCMS coverage for Orcas' Dedicated Resource that has not yet been granted firm network transmission by all applicable transmission providers if Power Services and Orcas are actively engaged in the process of obtaining firm network transmission. Power Services and Orcas shall work cooperatively to obtain firm network transmission for the Dedicated Resource pursuant to the principles in Exhibit G of this Agreement and the Parties' executed Transfer Service Support for Non-Federal Resources Agreement. Power Services shall have sole discretion in determining whether or not Power Services and Orcas are actively engaged in the process of obtaining firm network transmission. However, when making this determination Power Services shall use criteria including but not limited to: (1) the date Orcas requests that Power Services pursue firm network transmission; (2) the planned start date for service from the Dedicated Resource; (3) the location of the resource;

(4) the potential for Transmission Curtailments associated with delivering the resource on non-firm transmission; (5) the status of any ongoing OASIS requests and studies related to the resource; and (6) the length of time Power Services and Orcas have been in the process of obtaining firm network transmission.

In addition, Power Services shall also provide TCMS coverage for Orcas' Dedicated Resource as provided for in section 4.3.5 of this exhibit.

**4.3.4.2 BPA's Determination for TCMS Coverage**

If Orcas notifies Power Services that it is pursuing firm network transmission with all applicable transmission providers, then Power Services shall provide Orcas with a determination of whether or not it may purchase such TCMS within 30 days following Power Services' receipt of Orcas' notice.

**4.3.4.3 Termination of TCMS Coverage**

If BPA is providing TCMS coverage to Orcas for a Dedicated Resource that has not been granted firm network transmission by Transmission Services and a request for firm network transmission for such Dedicated Resource is withdrawn, or if such request is declined or invalidated without a timely resubmission of a similar request, then Orcas shall notify BPA immediately and BPA shall terminate the provision of TCMS for Orcas' Dedicated Resource ten Business Days after such notification.

If BPA is providing TCMS coverage to Orcas for a Dedicated Resource that has not been granted firm network transmission and BPA offers Orcas a Network Resource Exhibit to the Transfer Service Support for Non-Federal Resources Agreement for such Dedicated Resource, and such Network Resource Exhibit is not executed by Orcas within 30 days of the offer, then BPA shall terminate the provision of TCMS for Orcas' Dedicated Resource ten Business Days following the aforementioned 30 day period.

**4.3.5 Initial Resource Exception to Certain TCMS Limitations**

In order to facilitate customer acquisition of non-federal resources in the Transition Period described in sections 4.3.5(1) and 4.3.5(2) below, and in recognition that there may be delays in obtaining firm network transmission, BPA shall make the exception described in this section 4.3.5.

For certain Dedicated Resources that have not yet been granted firm network transmission by all applicable transmission providers, BPA



shall provide TCMS without the case-by-case determination described in section 4.3.4.1 and without the limitations described in section 4.3.7.1. A Dedicated Resource shall be eligible for these exceptions only if it meets each of the following criteria:

- (1) the Dedicated Resource is first used to serve Orcas' Above-RHWM Load in FY 2012 or FY 2013 for a period of up to five Fiscal Years; and
- (2) the Dedicated Resource is delivered in both a Flat Annual Shape and Flat Within-Month Shape and used to serve Orcas' Above-RHWM Load for at least one Fiscal Year in duration; and
- (3) the Dedicated Resource is a market purchase consistent with the terms of the Western Systems Power Pool Service Schedule C; and
- (4) the Dedicated Resource is delivered at a point of receipt between the BPA Balancing Authority Area and the source Balancing Authority Area, delivered to the Northwest Market Hub on firm transmission, or delivered to the Mid-C hub as defined in Transmission Services Business Practices with a contractual arrangement that allows a new schedule to originate from the Mid-C hub; and
- (5) the Dedicated Resource is recognized by Transmission Services as a firm resource for purposes of designation as a Network Resource and a request for firm network transmission for the Dedicated Resource has been submitted to all applicable Transmission Providers, and Orcas is actively in the process of obtaining firm network transmission for the Dedicated Resource.

If a Dedicated Resource ceases to meet any of the conditions described in this section 4.3.5, BPA shall only provide TCMS as described in all other sections of this exhibit.

#### **4.3.6 TCMS Coverage by Resource**

The Parties shall list Orcas' Dedicated Resources that require an E-Tag in the table(s) below, and indicate whether Orcas shall purchase TCMS for each resource. BPA shall update the table(s) below as needed.

| Name of Dedicated Resource |    |            | Location of Resource (Balancing Authority Area) |    | Name and E-mail address of Orcas scheduling contact      | Name and E-mail address of contact at resource              |
|----------------------------|----|------------|---|----|--|---|
| None at this time          |    |            |   |    |  |   |
| Firm Network Transmission  |    |            | TCMS Coverage                                   |    | All Applicable OASIS Assignment Reference Numbers (AREF) | Contract path for delivering resource (Source-POR-POD-Sink) |
| Yes                        | No | In Process | Yes   | No |  |   |
|                            |    |            |   |    |  |   |

#### 4.3.7 Curtailment and Outage Terms and Conditions for Resources with TCMS Coverage

For Dedicated Resources with TCMS coverage identified in section 4.3.6 above, BPA shall deliver replacement power to Orcas during any Transmission Event that is announced for the hour(s) of delivery that affects Orcas' Dedicated Resource, through the duration of the Transmission Event, if any of the following occur:

- (1) the Transmission Event affects any firm Point-to-Point Transmission used to deliver the resource to Orcas' load, as identified in section 4.3.6 of this exhibit; or,
- (2) the Transmission Event affects the Secondary Network Transmission used to deliver the resource to Orcas' load, as identified in section 4.3.6 of this exhibit; or,
- (3) Transmission Services has curtailed firm network transmission pursuant to section 33.6 or 33.7 of the BPA OATT; or,
- (4) the Transmission Event affects the firm network transmission obtained by Power Services from a Third Party Transmission Provider and used to deliver the resource to Orcas' load, as identified in section 4.3.6 of this exhibit.

If the Transmission Event is multiple hours in duration, BPA shall provide TCMS coverage for the entire Transmission Event. During any Planned Transmission Outage that impacts Orcas' Dedicated Resource with TCMS coverage, BPA may, at BPA's sole discretion, obtain alternate transmission from such resource to Orcas' load instead of delivering replacement power to Orcas' load. If a Planned Transmission Outage affects a Dedicated Resource with TCMS coverage, then Power Services shall notify Orcas of such Planned Transmission Outage.

If a Planned Transmission Outage is cancelled or adjusted such that Orcas is able to deliver any portion of the resource to load normally

during any portion of the previously announced Planned Transmission Outage, then Orcas shall do so.

**4.3.7.1 Limitations on the Frequency of TCMS Coverage**

If Orcas is purchasing TCMS for a Dedicated Resource with firm transmission from all applicable providers, or if Orcas is purchasing TCMS for a Dedicated Resource as provided for in section 4.3.5, then BPA shall provide TCMS without the following limits identified in this section 4.3.7.1.

If, pursuant to section 4.3.4 above, BPA has allowed Orcas to purchase TCMS for a resource that has not yet been granted firm network transmission, then throughout each Fiscal Year for each such resource, BPA shall periodically assess how frequently TCMS has been needed during that Fiscal Year. If BPA determines that in such Fiscal Year TCMS has been used to replace such Dedicated Resource in ten separate occurrences, where each occurrence TCMS was used was due to a separate Transmission Event on a different day, and for a cumulative total of at least 168 hours, BPA may terminate Orcas' TCMS coverage for such resource 30 days after providing notice to Orcas.

**4.3.7.2 TCMS Payment Obligations**

Orcas shall be subject to charges for Transmission Scheduling Service, including applicable costs for TCMS, consistent with the provisions of this Agreement and BPA's Wholesale Power Rate Schedules and GRSPs, including any applicable UAI charges. Additionally, during a Transmission Event, BPA shall not assess a UAI charge on a Dedicated Resource with TCMS coverage.

**4.3.8 TCMS Coverage after Termination**

If TCMS coverage is terminated, pursuant to section 4.3.4 or 4.3.7.1 of this exhibit, Orcas shall be responsible for obtaining replacement power during any Transmission Event that impacts such Dedicated Resource and for any applicable UAI charges that may apply pursuant to section 4.3.3 above.

In addition, for any resource for which BPA has terminated TCMS coverage due to frequency of use, as described in section 4.3.4 or 4.3.7.1 of this exhibit, BPA shall allow Orcas to resume purchasing TCMS for the resource only after Orcas notifies BPA that such resource has obtained firm network transmission.

**5. E-TAGS**

To the extent E-Tags are required by transmission provider(s), Power Services shall create all E-Tags necessary for delivery of energy to Orcas' Total Retail Load.

**6. GENERATION IMBALANCE**

Orcas shall be responsible for costs associated with deviations between the scheduled Dedicated Resources for an hour and the actual generation produced across such hour; provided, however, if Orcas submits a delivery schedule consistent with all provisions of this exhibit and BPA receives that delivery schedule, and a generation imbalance results from a BPA scheduling error, then BPA shall accept responsibility for the generation imbalance associated with the BPA scheduling error.

**7. PENALTIES**

If Orcas fails to submit prescheduling or real-time scheduling information to BPA as required and by the deadlines in section 4 of this exhibit, then Orcas may be subject to applicable UAI charges, consistent with BPA's applicable Wholesale Power Rate Schedules and GRSPs.

**8. AFTER THE FACT**

BPA and Orcas agree to reconcile all transactions, schedules and accounts at the end of each month (as early as possible within the first ten calendar days of the next month). BPA and Orcas shall verify all transactions pursuant to this Agreement as to product or type of service, hourly amounts, daily and monthly totals, and related charges.

**9. REVISIONS**

BPA may unilaterally revise this exhibit:

- (1) to implement changes that BPA determines are necessary to allow it to meet its power and scheduling obligations under this Agreement, or
- (2) to comply with requirements of WECC, NAESB, or NERC, or their successors or assigns, or
- (3) to update the table in section 4.3.6 to reflect which resources BPA provides TCMS for.

BPA shall provide a draft of any material revisions of this exhibit to Orcas, with a reasonable time for comment, prior to BPA providing written notice of the revision.

Revisions are effective 45 days after BPA provides written notice of the revisions to Orcas unless, in BPA's sole judgment, less notice is necessary to comply with an emergency change to the requirements of WECC, NAESB, NERC, or their successors or assigns. In this case, BPA shall specify the effective date of such revisions.

**10. SIGNATURES**

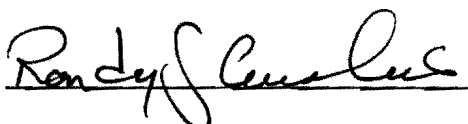
The Parties have caused this revision to be executed as of the date both Parties have signed this revision.

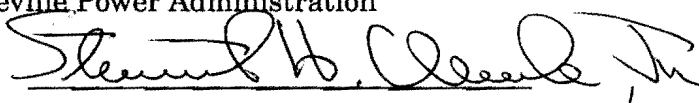
ORCAS POWER & LIGHT COOPERATIVE

UNITED STATES OF AMERICA

Department of Energy

Bonneville Power Administration

By 

By 

Name Randy J. Cornelius  
(Print / Type)

Name Stuart H. Clarke, Jr.  
(Print / Type)

Title General Manager

Title Senior Account Executive

Date 8/26/10

Date Aug. 16, 2010

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**Exhibit G  
PRINCIPLES OF NON-FEDERAL TRANSFER SERVICE**

As provided by section 14.6.7 of the body of this Agreement and BPA's Long-Term Regional Dialogue Final Policy, July 2007, or any other later revision of that policy, if Orcas acquires non-federal resources to serve its retail load above its established RHW, then BPA's support and assistance to Orcas regarding transfer service for its non-federal resources shall be consistent with the following principles:

**1. ESTABLISHED CAPS AND LIMITATIONS**

BPA shall provide financial support for the transmission capacity associated with non-federal resource purchases to all Transfer Service customers up to a maximum of 41 megawatts per fiscal year, cumulative over the duration of this Agreement. This cumulative megawatt limit is shown in the table below.

| <b>Fiscal Year</b> | <b>Per Year<br/>MW Limit</b> | <b>Cumulative<br/>MW Limit</b> |
|--------------------|------------------------------|--------------------------------|
| FY 2012            | 41                           | 41                             |
| FY 2013            | 41                           | 82                             |
| FY 2014            | 41                           | 123                            |
| FY 2015            | 41                           | 164                            |
| FY 2016            | 41                           | 205                            |
| FY 2017            | 41                           | 246                            |
| FY 2018            | 41                           | 287                            |
| FY 2019            | 41                           | 328                            |
| FY 2020            | 41                           | 369                            |
| FY 2021            | 41                           | 410                            |
| FY 2022            | 41                           | 451                            |
| FY 2023            | 41                           | 492                            |
| FY 2024            | 41                           | 533                            |
| FY 2025            | 41                           | 574                            |
| FY 2026            | 41                           | 615                            |
| FY 2027            | 41                           | 656                            |
| FY 2028            | 41                           | 697                            |

- 2.** Application of section 14.6.7 of the body of this Agreement shall be on a first come, first served basis in each year based on the date each request is received by BPA. Requests not met, in whole or in part, in any Fiscal Year will have priority over subsequent requests the following year. Once granted, BPA shall honor such request for the duration of the resource acquisition period, not to exceed the term of this Agreement.

**3. PROCESS AND PARAMETERS FOR INITIALLY CHOOSING A NON-FEDERAL RESOURCE**

- 3.1** BPA obtains Transfer Service from Third Party Transmission Providers pursuant to OATT Network Integration Transmission Service. Additionally, BPA acquires firm transmission for all load service obligations incurred.

Therefore, BPA shall, on behalf of Orcas, pursue Network Resource designation, as defined in the FERC OATT for Orcas' non-federal resource. BPA shall provide all information the Third Party Transmission Provider requires to evaluate the Network Resource designation request. Orcas shall provide all relevant information BPA determines is required to submit an application for designation of the resource as a Network Resource per section 29 of the OATT, or its successor.

- 3.2 Orcas shall notify BPA of its intent and/or actions to acquire or purchase a non-federal resource at least one year prior to delivery. Such acquisition or purchase shall be for a period of no less than one year in duration.
- 3.3 If BPA's existing Transfer Service to Orcas is pursuant to a non-OATT contractual arrangement, then BPA shall pursue all reasonable arrangements, including but not limited to OATT service, sufficient to enable Orcas to utilize the non-federal resource to serve its load.
- 3.4 BPA shall not be liable to Orcas in the event that Network Resource designation cannot be obtained.
- 3.5 BPA shall only obtain or pay for Transfer Service for Orcas' non-federal resource if it is designated as a Network Resource under the Third Party Transmission Provider's OATT with a commitment of at least one year. The limitations in this principle 3 do not pertain to market purchases and the use of secondary network transmission, which are addressed below in principle 15.
4. Orcas shall provide BPA all information BPA determines is reasonably necessary to administer firm network transmission service over the Third Party Transmission Provider's system.
5. BPA shall pay only the capacity costs associated with transmission service to Orcas over transmission facilities of the Third Party Transmission Provider that either (1) interconnect directly to Orcas' facilities or (2) interconnect to BPA transmission facilities which subsequently interconnect with Orcas' facilities. Orcas shall arrange for, and pay any costs associated with, the delivery of non-federal power to an interconnection point with the Third Party Transmission Provider, including obtaining and paying for firm transmission across all intervening transmission systems.
6. Orcas shall pay a portion of the costs of all Ancillary Services necessary to deliver any non-federal resource to serve its load. The Ancillary Service costs imposed by the Third Party Transmission Provider shall be apportioned between BPA and Orcas based on either:
  - (1) metered/scheduled quantities of the non-federal resource, expressed as a percentage of total load, multiplied by the total costs assessed BPA by the Third Party Transmission Provider; or

(2) actual charges assessed by the Third Party Transmission Provider.

However, BPA shall treat the cost of load regulation service consistent with the load regulation service cost as described in section 14.6.1(1) of the body of this Agreement. BPA shall be responsible for the cost of generation supplied reactive power, and Orcas shall be responsible for any generation imbalance costs, if any, related to Orcas' non-federal resource.

7. Orcas shall be responsible for the costs of all other transmission services for non-federal deliveries not included in principles 5 and 6 above, including, but not limited to: redispatch, congestion management costs, system and facility study costs associated with adding the non-federal generation as a Network Resource, direct assigned system upgrades, distribution and low-voltage charges, if applicable and real power losses.
8. Orcas shall be responsible for all costs of interconnecting generation to a transmission system.
9. Orcas shall be responsible for acquiring transmission services from BPA, including wheeling for non-federal resources. If Orcas does not require transmission services from BPA for wheeling non-federal resources, then Orcas shall be responsible for a pro rata share of the Third Party Transmission Provider transmission costs that BPA incurs to serve Orcas.
10. Orcas shall be responsible for all integration services to support its non-federal resources:
  - (1) in accordance with all requirements of the host Balancing Authority and/or Third Party Transmission Provider, and
  - (2) which are necessary for designation of the non-federal resource as a Network Resource.
11. As necessary, Orcas shall meet all resource metering requirements including compliance with BPA standards and any requirements of the generation host Balancing Authority and/or Third Party Transmission Provider.
12. The Parties shall cooperate to establish the protocols, procedures, data exchanges or other arrangements the Parties deem reasonably necessary to support the transmission of Orcas' non-federal resource.
13. Unless otherwise agreed, Orcas shall be responsible for managing any non-federal resource consistent with Exhibit F.
14. BPA shall have no obligation to pay for Transfer Service for non-federal power to serve any portion of Orcas' retail load that Orcas is obligated to serve with federal power pursuant to this Agreement.



15. Once Orcas' non-federal resource has been designated as a Network Resource, BPA will not undesignate Orcas' Network Resource for marketing purposes. Also, once such Network Resource designation has been made, Orcas may make market purchases to displace the Network Resource, which BPA shall schedule on secondary network service, provided that:
- (1) such market purchases are at least one day in duration;
  - (2) the megawatt amount of the market purchase does not exceed the amount of the designated Network Resource that Orcas would have scheduled to its load;
  - (3) such market purchases are only scheduled in preschedule consistent with section 4.1 of Exhibit F;
  - (4) Orcas does not, under any circumstances, remarket its designated Network Resource or perform any other operation that would cause BPA to be in violation of its obligations under the Third Party Transmission Provider's OATT;
  - (5) Orcas is responsible for any additional energy imbalance, redispatch, and/or UAI charges that result from a transmission curtailment that impacts the resulting secondary network schedule; and
  - (6) any RSS products that Orcas has purchased from BPA are not applied to the market purchase(s).
16. These principles will be the basis for a separate agreement BPA shall offer to Orcas to support the Transfer Service of Orcas' non-federal resource. BPA shall include terms specific to a particular non-federal resource in exhibits to the separate agreement, with a separate exhibit for each non-federal resource. Orcas is under no obligation to accept this separate agreement or the exhibit for the particular non-federal resource and BPA is not bound to acquire or pay for Transfer Service for non-federal resources if Orcas does not accept the separate agreement or the exhibit for the particular non-federal resource.
17. BPA shall recover the costs associated with any agreements with Orcas reached under these principles pursuant to BPA's Wholesale Power Rate Schedules and GRSPs.

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**Revision No. 1, Exhibit H**  
**RENEWABLE ENERGY CERTIFICATES AND CARBON ATTRIBUTES**  
**Effective July 26, 2011**

This revision replaces Exhibit H pursuant to the REP Settlement Agreement, Contract No. 11PB-12322, and is effective as of the "Effective Date" of such REP Settlement Agreement.

**1. DEFINITIONS**

- 1.1 "Available Carbon Credits" means (i) eighty-six percent (86%) of the Carbon Credits that BPA determines are attributable to resources whose output is used to establish Tier 1 System Capability, as Tier 1 System Capability is defined in the TRM, excluding the Initial Tier 1 Renewable Projects; and (ii) one-hundred percent (100%) of the Carbon Credits attributable to electrical generation from Initial Tier 1 Renewable Projects, excluding Carbon Credits associated with EPP RECs.
- 1.2 "Available Tier 1 RECs" means the sum of: (i) eighty-six percent (86%) of the Future Tier 1 RECs; and (ii) one-hundred percent (100%) of the Current Tier 1 RECs.
- 1.3 "Carbon Credits" means Environmental Attributes consisting of greenhouse gas emission credits, certificates, or similar instruments.
- 1.4 "Current Tier 1 RECs" means Tier 1 RECs that BPA determines are attributable to electrical generation from Initial Tier 1 Renewable Projects, excluding EPP RECs.
- 1.5 "Environmental Attributes" means the current or future credits, benefits, emission reductions, offsets and allowances attributable to the generation of energy from a resource. Environmental Attributes do not include the tax credits associated with such resource. One megawatt-hour of energy generation from a resource is associated with one megawatt-hour of Environmental Attributes.
- 1.6 "Environmentally Preferred Power RECS" or "EPP RECs" means the portion of the Current Tier 1 RECs that is equal to an amount of up to 130 percent of the annual average of equivalent environmentally preferred power (EPP) contracted for as of October 1, 2009, for FYs 2010 and 2011 under Subscription power sales contracts containing rights to Environmental Attributes through FY 2016, as determined by BPA to be necessary to administer such rights.
- 1.7 "Future Tier 1 RECs" means Tier 1 RECs that BPA determines are attributable to resources whose output is used to establish Tier 1 System Capability, as Tier 1 System Capability is defined in the TRM, excluding the Initial Tier 1 Renewable Projects.

- 1.8 “Initial Tier 1 Renewable Projects” means the following projects existing as of the Effective Date of the Orcas’ CHWM Contract:

| Project       | Capacity (MW) |
|---------------|---------------|
| Foot Creek I  | 15.32         |
| Foot Creek II | 1.8           |
| Stateline     | 89.76         |
| Condon        | 49.8          |
| Klondike I    | 24            |
| Klondike III  | 50            |
| Ashland Solar | 0.015         |

- 1.9 “Renewable Energy Certificates” or “RECs” means the certificates, documentation, or other evidence that demonstrates, in the tracking system selected under section 5 of this exhibit, the ownership of Environmental Attributes.
- 1.10 “Tier 1 RECs” means the sum of the Current Tier 1 RECs and Future Tier 1 RECs.
- 1.11 “Tier 2 RECs” means the RECs attributable to generation of the resources whose costs are allocated to a given Tier 2 Cost Pool in accordance with the TRM.

**2. BPA’S TIER 1 REC INVENTORY**

BPA shall maintain a list on a publicly accessible BPA website and shall periodically update it. This list will include any then-current resources that BPA has determined have Tier 1 RECs attributable to them. BPA shall also include on this list its inventory of then-current resources that BPA has determined have Available Tier 1 RECs (and Available Carbon Credits). BPA shall calculate its Available Tier 1 RECs and Available Carbon Credits annually and after-the-fact based on energy generated by listed applicable resources during the previous calendar year.

**3. ORCAS’ SHARE OF TIER 1 RECS**

Beginning April 15, 2012, and by April 15 every year thereafter over the term of this Agreement, BPA shall transfer to Orcas, or manage in accordance with section 5 of this exhibit, at no additional charge or premium beyond Orcas’ payment of the otherwise applicable Tier 1 Rate, a pro rata share of Available Tier 1 RECs based on Orcas’ RHWM divided by the total RHWMs of all holders of CHWM Contracts.

The amount of Available Tier 1 RECs available to BPA to transfer or manage shall be subject to available Available Tier 1 REC inventory.

**4. TIER 2 RECS**

If Orcas chooses to purchase Firm Requirements Power at a Tier 2 Rate, and there are RECs which BPA has determined are attributable to the resources whose costs are allocated to the Tier 2 Cost Pool for such rate, then beginning

April 15 of the year immediately following the first Fiscal Year in which Orcas' Tier 2 purchase obligation commences, and by April 15 every year thereafter for the duration of Orcas' Tier 2 purchase obligation, BPA shall, based on Orcas' election pursuant to section 5 of this exhibit, transfer to or manage for Orcas a pro rata share of applicable Tier 2 RECs generated during the previous calendar year. BPA shall, for transferred RECs, provide Orcas with a letter assigning title of such Tier 2 RECs to Orcas. The pro rata share of Tier 2 RECs BPA transfers to Orcas shall be the ratio of Orcas' amount of power purchased at the applicable Tier 2 Rate to the total amount of purchases under that Tier 2 Rate.

**5. TRANSFER, TRACKING, AND MANAGEMENT OF RECS**

Subject to BPA's determination that the commercial renewable energy tracking system WREGIS is adequate as a tracking system, BPA shall transfer Orcas' share of Available Tier 1 RECs, and Tier 2 RECs if applicable, to Orcas via WREGIS or its successor. If, during the term of this Agreement, BPA determines in consultation with customers that WREGIS is not adequate as a tracking system, then BPA may change commercial tracking systems with one year advance notice to Orcas. In such case, the Parties shall establish a comparable process for BPA to provide Orcas its Available Tier 1 and Tier 2 RECs.

Starting on July 15, 2011, and by July 15 prior to each Rate Period through the term of this Agreement, Orcas shall notify BPA which one of the following three options it chooses for the transfer and management of Orcas' share of Available Tier 1 RECs, and Tier 2 RECs if applicable, for each upcoming Rate Period:

- (1) BPA shall transfer Orcas' Available Tier 1 and Tier 2 RECs into Orcas' own WREGIS account, which shall be established by Orcas; or
- (2) BPA shall transfer Orcas' Available Tier 1 and Tier 2 RECs into a BPA-managed WREGIS subaccount. Such subaccount shall be established by BPA on Orcas' behalf and the terms and conditions of which shall be determined by the Parties in a separate agreement; or
- (3) Orcas shall give BPA the authority to market Orcas' Available Tier 1 and Tier 2 RECs on Orcas' behalf. BPA shall annually credit Orcas for Orcas' pro rata share of all revenues generated by sales of Available Tier 1 and Tier 2 RECs from the same rate pool on its April bill, issued in May.

If Orcas fails to notify BPA of its election by July 15 before the start of each Rate Period, then Orcas shall be deemed to have elected the option in section 5(3) of this exhibit.

Any Available Tier 1 and Tier 2 RECs BPA transfers to Orcas on April 15 of each year shall be limited to those generated January 1 through December 31

of the prior year, except that any Available Tier 1 and Tier 2 RECs BPA transfers to Orcas by April 15, 2012, shall be limited to those generated October 1, 2011, through December 31, 2011.

**6. FEES**

BPA shall pay any reasonable fees associated with: (1) the provision of Orcas' Available Tier 1 and Tier 2 RECs and (2) the establishment of any subaccounts in Orcas' name pursuant to sections 5(1) and 5(2) of this exhibit. Orcas shall pay all other fees associated with any WREGIS or successor commercial tracking system, including WREGIS retirement, reserve, and export fees.

**7. CARBON CREDITS**

In the absence of regulations or legislation concerning carbon credits and directly affecting BPA, BPA intends to convey the value of any future Available Carbon Credits to Orcas on a pro rata basis in the same manner as described for Available Tier 1 RECs and Tier 2 RECs in sections 3 and 4 of this exhibit. This value may be conveyed as: (1) the Available Carbon Credits themselves; (2) a revenue credit after BPA markets such Available Carbon Credits; or (3) the ability to claim that power purchases at the applicable PF rate are derived from certain federal resources.

**8. BPA'S RIGHT TO TERMINATE ORCAS' RECS AND/OR CARBON CREDITS**

To the extent necessary to comply with any federal regulation or legislation which addresses Carbon Credits or any other form of Environmental Attribute(s) and includes compliance costs applicable to BPA, BPA may, upon reasonable notice to Orcas, terminate Orcas' contract rights to Available Tier 1 RECs under section 3 of this exhibit and/or Orcas' pro rata share of Available Carbon Credits under section 7 of this exhibit.

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