

DRAFT—FOR DISCUSSION PURPOSES ONLY

PARTIAL SETTLEMENT AGREEMENT
Bonneville Power Administration 2010 Transmission Rate Case

The undersigned signatories to this Partial Settlement Agreement hereby agree to the following:

1. In the Bonneville Power Administration (BPA) 2010 Transmission Rate Case (Rate Case), BPA Transmission Services (TS) will submit a proposal (Settlement Proposal) to establish rates for fiscal years 2010-2011 for all transmission services and for the ancillary services Scheduling, System Control, and Dispatch Service and Reactive Supply and Voltage Control from Generation Sources Service (Rate Period) as shown in Attachment 1. The Settlement Proposal will include changes to the Failure to Comply Penalty Charge, the Unauthorized Increase Charge, the Reactive Supply and Voltage Control from Generation Sources Service rate schedule, and the availability section of the Network Integration Rate, all shown in redline on Attachment 2. The Settlement Proposal will include no other changes to existing rate schedules for the services listed above or to the general rate schedule provisions as they relate to the services listed above; **except that TS has the right to propose a formula or formulas for all incremental cost rates and to propose the structure and elements of a public process for determining and allocating costs when BPA offers transmission service at an incremental cost rate. The incremental cost rate is not part of the Settlement Proposal, and the parties have the right to challenge any aspect of the formulas and public process that TS proposes.**

2. The ancillary services Regulation and Frequency Response Service, Energy Imbalance Service, Operating reserve – Spinning Reserve Service, and Operating Reserve – Supplemental Reserve Service, Generation Imbalance Service, and all control area services, are not included in this settlement. All issues concerning these services, including the amount and pricing of the reserve capacity needed for such services, will be litigated in the power rate case, docket number WP-10. All issues concerning rate design and the rate schedules for these services will be litigated in this transmission rate case, docket number TR-10. BPA reserves the right to propose changes to the rates, rate schedules, and associated general rate schedule provisions for these services, and the parties to this settlement preserve the right to litigate all issues concerning these services.

3. During 2009 BPA will hold discussions with all interested parties regarding segmentation, cost of service **methodology**, and rate design for future transmission rates. Such discussions will include, among other topics, **ratemaking** for the Utility Delivery segment, and the costs of transmission

facilities that comprised the former Northern Intertie transmission segment and that could comprise a Northern Intertie transmission segment if such a segment were re-established.

4. BPA will hold a public process to develop a business practice for implementing the revised Failure to Comply Penalty Charge, and BPA will not assess such charge before it has adopted a final business practice.

5. The signatories agree not to contest any aspect of the Settlement Proposal, or any of the elements thereof, the methodologies and principles used to derive such rates, or any aspect of the rate schedules or general rate schedule provisions, or any other issue that is included in this Partial Settlement Agreement, and further agree to waive their rights to cross-examination and discovery with respect thereto. If, however, TS does not submit a Settlement Proposal consistent with the terms of this Partial Settlement Agreement, the signatories may contest any aspect of the Settlement Proposal.

6. The parties intend that revised Attachment M (Attachment 2 to this Partial Settlement Agreement) will replace the existing Attachment M in BPA's Open Access Transmission Tariff. BPA will submit revised Attachment M to FERC for approval as an amendment to BPA's Open Access Transmission Tariff. The parties agree not to protest such proposed amendment at FERC or in any other forum. Nothing in this Partial Settlement Agreement limits a signatory's right to argue in an appropriate forum that, when making curtailments, BPA has not curtailed on a non-discriminatory basis the schedules(s) that effectively relieve the constraint.

7. The signatories will move the Hearing Officer to specify a date within a reasonable time of the prehearing conference by which any party to the Rate Case that has not executed this Partial Settlement Agreement must object to the settlement proposed in this Partial Settlement Agreement and identify each issue such rate case party chooses to preserve for hearing. If no rate case party objects to the settlement proposal and preserves issues for hearing, TS shall propose to the Administrator that he adopts the Settlement Proposal in its entirety and BPA shall submit the revised Attachment M to FERC as a proposed amendment to BPA's Open Access Transmission Tariff. In the event that any rate case party does so object to the settlement proposal, TS may, but shall not be required to, revise the Settlement Proposal as it believes appropriate and BPA may, but shall not be required to, revise Attachment M as it believes appropriate, either after such rate case party states its objection or after parties file their direct testimony. If TS decides to revise the Settlement Proposal, or if BPA decides to revise Attachment M, the parties will meet promptly to discuss a new procedural schedule that they will propose to the Hearing Officer, allowing TS or BPA, as the case may be, a reasonable time in which to present a revised proposal and the parties a reasonable time to respond to such revised proposal. In that event, the

signatories may contest any aspect of the revised proposal.

8. Nothing in this Partial Settlement Agreement is intended in any way to alter the Administrator's authority and responsibility to periodically review and revise the Administrator's transmission rates or the signatories' rights to challenge such revisions.

9. If the Administrator establishes transmission rates consistent with the Settlement Proposal and submits such rates to FERC for confirmation and approval under the applicable standards of the Northwest Power Act or as a reciprocity filing, the signatories agree not to challenge such confirmation and approval of such rates or any element thereof, including the methodologies and principles used to establish such rates, or support or join any such challenge, and agree not to challenge such rates or any element thereof, including the methodologies and principles used to establish such rates, in any judicial forum.

10. The signatories agree that they will not assert in any forum that anything in this Partial Settlement Agreement or any action with regard to this Partial Settlement Agreement taken or not taken by any signatory, the Hearing Officer, the Administrator, FERC, or a court, creates or implies any procedural or substantive precedent or creates or implies agreement to any underlying principle or methodology, or creates any precedent under any contract between BPA and any signatory.

11. By executing this Partial Settlement Agreement, no signatory waives any right to pursue BPA Open Access Transmission Tariff (OATT) dispute resolution procedures consistent with BPA's OATT (including without limitation any complaint concerning implementation of BPA's OATT) or any claim that a particular charge, methodology, practice or rate schedule has been improperly applied.

12. Nothing in this Partial Settlement Agreement amends any contract or modifies rights or obligations or limits the remedies available thereunder.

This Partial Settlement Agreement may be executed in counterparts.

_____ for
_____ Date _____
Party