Liquidity Tools
"Term" sheet for Customer Pre-Pay

This draft Term Sheet outlines a basis for Bonneville and certain wholesale power customers (the "Participants") to negotiate a mutually acceptable Prepayment Agreement (the "Agreement"), whereby the Participants would agree to prepay at least 3 and up to 6 months of their power service bills in exchange for certain considerations as described in this Term Sheet. The Agreement to prepay certain power bills will also be referred to as the customer prepayment liquidity tool or just the "liquidity tool."

1. Participants
    a. It is proposed that the number of Participants shall not be limited. The Participants will be ranked in descending order by their ability to provide prepayment (a combination of amount and credit-worthiness). When necessary, starting from the top of the list, this tool will be utilized with only those participants necessary to satisfy the liquidity need at the time. This is to maximize the efficiency of this liquidity tool while minimizing its complexity ad administrative costs.
2. Amount of Prepayment
    a. As contemplated by the Agreement, the Participants would prepay from three (3) to six (6) months (the "Prepayment Months") of their wholesale power bills (the "Prepayment Amount") once the tool is triggered per 3, below. The Prepayment Period shall be the calendar months to which the Prepayment Amount applies.
    b. A Participant's Prepayment Obligation will be determined by taking the lowest of the previous 12 months of a Participant's power bill payments, and then multiplying that amount by the number of Prepayment Months. The sum of all Participants' Prepayment Obligations shall be the Prepayment Amount.
3. Customer Billing during the Prepayment Period.
    a. During the Prepayment period, the Participant will receive a bill detailing their power consumption for the month, offset by a credit for the amount prepaid. The monthly bills will continue normally, but showing no amount due, until the credit is used up, at which time the utility will resume transmitting payment to BPA.
4. Trigger Mechanism and Limitations
    a. Subject to the limitations described below, the liquidity tool may be triggered whenever BPA forecasts that its cash reserve balance will fall below a certain predetermined amount (the "Minimum Cash Balance"), during any of the succeeding six calendar months.
    b. The liquidity tool may trigger only twice in any fiscal year.
        i. Prior to each quarterly review (which come in January, April, July, and October), Bonneville will assess its likely cash position during the upcoming quarter, and if it determines that the liquidity tool will trigger it will give notice

to the Participants at least thirty (30) days prior to the month in which the Minimum Cash Balance will occur.

5. Considerations for use of the Liquidity Tool
    a. To compensate the Participants, BPA will provide a credit to their power rate or bills which will remain in effect for the number of months equal to the number of payment months (the “Discount Months”) starting with the first month after the Prepayment Period. The credit will be expressed as a reduction (the Discount Rate) in the Participants’ power rate or bill over the Discount Months. The amount of such Discount shall be determined by taking each Participant’s Prepayment Obligation, multiplying this by the monthly Prepayment Compensation Interest Rate and then by the number of Prepayment Months and dividing this by the sum of the Participant’s expected power bills during the Discount Months.
        i. The Prepayment Compensation Interest Rate shall be the interest rate that BPA earns from the Treasury on the cash balances in the Bonneville Fund. The monthly rate shall be the Prepayment Compensation Interest Rate divided by twelve.
6. Penalty for non-payment
    a. If a Participant does not meet its prepayment obligation in full, the prepayment penalty rate will be the prime rate plus 12%. The Prepayment Penalty Rate shall then be divided by 365 and will be assessed daily by multiplying this daily rate times the funding shortfall plus any previous interest assessments until the Prepayment Obligation is paid in full.