

**AUTHENTICATED**

**SURPLUS FIRM POWER SALES AGREEMENT**  
executed by the  
**BONNEVILLE POWER ADMINISTRATION**  
and  
**PUBLIC UTILITY DISTRICT NO. 1**  
**OF CLALLAM COUNTY, WASHINGTON**

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This SURPLUS FIRM 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 PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY, WASHINGTON (Clallam). Clallam is a public utility district organized under the laws of the State of Washington. BPA and Clallam are sometimes referred to in the singular as “Party” or in the plural as “Parties”.

**RECITALS**

The Administrator is authorized under the Northwest Power Act to sell surplus power. BPA projects it will have surplus power available for sale during the term of this Agreement.

BPA will sell and Clallam will purchase an amount of surplus power on a firm basis under this Agreement for resale by Clallam to Port Townsend Paper Corporation (Port Townsend) under a separate agreement.

BPA has administratively divided its organization into two business lines in order to functionally separate the administration and decision making activities of BPA's power business from the administrative and decision making activities of its transmission business. References in this Agreement to the Power Business Line (PBL) are solely for the purpose of establishing which BPA business line is responsible for the administration of this Agreement.

BPA and Clallam agree:

**1. TERM**

This Agreement shall become effective on October 1, 2006, and shall continue in effect through September 30, 2011, unless terminated earlier pursuant to section 14 below. All liabilities incurred hereunder shall be preserved until satisfied.

**2. DEFINITIONS**

Capitalized terms in this Agreement shall have the meanings defined below, in the exhibits or in context. All other capitalized terms and acronyms are defined in BPA's applicable Wholesale Power Rate Schedule(s), including the General Rate Schedule Provisions (GRSPs).

- (a) "Contract Year" or "CY" means the period that begins each October 1 and which ends the following September 30. For instance, Contract Year 2007 begins October 1, 2006, and continues through September 30, 2007.
- (b) "Northwest Power Act" means the Pacific Northwest Electric Power Planning and Conservation Act of 1980, P.O. 96-501.
- (c) "Point of Measurement" means the Port Townsend Meter No. 2871 in Port Townsend's New Mill Substation, which is the point where Total Metered Load is measured.
- (d) "Point of Receipt" means the points of interconnection on the transmission provider's transmission system where Surplus Firm Power shall be made available by PBL to Clallam.
- (e) "Power Business Line" or "PBL" means that portion of the BPA organization or its successor that is responsible for the management and sale of BPA's Federal power.
- (f) "Priority Firm Rate" means the Priority Firm Rate demand, energy, load variance and all other charges applicable to the purchase by Clallam of firm power from BPA under its PSC during each rate period during the term of this Agreement, including any and all Cost Recovery Adjustment Clauses (CRACs), NFB Adjustments, Emergency NFB Surcharges, Dividend Distribution Clauses (DDCs), and any other charges, surcharges,

adjustments and rebates, but excluding the Low Density Discount and the Conservation Rate Credit.

- (g) “Region” means the definition established for “Region” in the Northwest Power Act.
- (h) “Surplus Firm Power” means electric power that PBL shall make available to Clallam under this Agreement.
- (i) “Surplus Firm Power” means electric power that PBL shall make available to Clallam under this Agreement.
- (j) “Total Metered Load” means the total amount of electric energy consumed during a given time period at Port Townsend’s production facilities, located on Mill Road, Port Townsend, Washington, as measured at the Point of Measurement.
- (k) “Transmission Business Line” or “TBL” means that portion of the BPA organization or its successor that is responsible for the management and sale of transmission service on the Federal Columbia River Transmission System (FCRTS).

### **3. SALE AND PURCHASE OF SURPLUS FIRM POWER AND RELATIONSHIP TO THE POWER SALES CONTRACT**

- (a) **Sale and Purchase of Surplus Firm Power**  
BPA agrees to make available to Clallam at the Point of Receipt amounts of Surplus Firm Power, and Clallam agrees to purchase and pay for the amounts of Surplus Firm Power made available to Clallam at the Point of Receipt, all pursuant to the terms and conditions set forth in this Agreement.
- (b) **Relationship to the Power Sales Contract**  
Clallam also purchases power from BPA pursuant to Contract No. 00PB-12051, Full Service Power Sales Agreement (PSC), executed by the Parties on October 17, 2000, as it may be amended or replaced. If any provision of this Agreement conflicts with a specific provision in the PSC, as it may be amended or replaced, then for the purposes of this Agreement, this Agreement shall control.

### **4. APPLICABLE RATES**

Purchases by Clallam under this Agreement are subject to the WP-07 Firm Power Products and Services (FPS) rate schedule or its successor and the General Rate Schedule Provisions.

Exhibit A, Surplus Firm Power Rate, identifies rates, and billing determinants applicable to purchases of Surplus Firm Power under this Agreement, and is incorporated by reference as if fully set forth in this Agreement.

**5. POWER SALE PROVISIONS**

All Surplus Firm Power provided by PBL under this Agreement is solely for service to Total Metered Load. Total Metered Load shall only be served with power purchased under this Agreement except for amounts of power that Clallam and BPA agree can be used to serve a portion of Total Metered Load in order to reduce the amount of Unauthorized Increase (UAI) charges that Clallam would otherwise be subject to for deliveries under this Agreement. The Surplus Firm Power provided under this Agreement is intended to support a corresponding wholesale power sale by Clallam to Port Townsend. Power amounts provided under this Agreement are not included in Clallam's Total Retail Load for any purpose under the PSC, including without limitation qualification for or the amount of benefits Clallam may receive under the Low Density Discount.

**(a) Demand**

The monthly megawatt (MW) amount that is measured during the hour of BPA's Generation System Peak establishes billing determinant for Clallam's Demand for Total Metered Load under this Agreement.

**(b) HLH and LLH Energy**

The monthly amounts of HLH and LLH energy, as measured at the Point of Measurement, establish Clallam's HLH and LLH Energy for service to Total Metered Load under this Agreement.

**6. SCHEDULING**

The Parties shall amend this Agreement as needed if any transmission tariff or regulatory agency requires or recommends changes that PBL decides to accept, which PBL determines require power scheduling provisions be made a part of this Agreement.

**7. DELIVERY**

**(a) Transmission Service for Contracted Power**

This Agreement does not provide transmission services for, or include the delivery of, Surplus Firm Power to Clallam. Clallam shall be responsible for arranging to have Port Townsend modify existing or execute one or more wheeling agreements with a transmission supplier for the delivery of Surplus Firm Power (Wheeling Agreement). The Parties agree to take such actions as may be necessary to facilitate the delivery of Surplus Firm Power consistent with the terms, notice, and the time limits contained in the Wheeling Agreements.

**(b) Liability for Delivery**

Clallam waives any claims against PBL arising under this Agreement for nondelivery of power to any points beyond the applicable Points of Receipt. PBL shall not be liable for any third-party claims related to the delivery of power after it leaves the Points of Receipt. In no event will either Party 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.

(c) **Points of Receipt**

PBL shall make Surplus Firm Power available to Clallam under this Agreement at Points of Receipt solely for the purpose of scheduling transmission to points of delivery to Port Townsend Paper. Clallam shall have Port Townsend schedule, if scheduling is necessary, such Surplus Firm Power solely for service to Total Metered Load. PBL, for purposes of scheduling transmission for delivery under this Agreement, specified Points of Receipt in a written notice to Port Townsend on July 26, 2000.

If required by the Wheeling Agreement, PBL will provide capacity amounts for transmission under the Wheeling Agreement associated with the initial Points of Receipt that can be accepted as firm Points of Receipt under Port Townsend's Wheeling Agreement (provide however if the firm points of Receipt are not available, that all Points of Receipt on the Federal Columbia River Power System (FCRPS) would be considered nonfirm). The sum of capacity amounts shall not exceed the amount reasonably necessary for PBL to provide Surplus Firm Power under this Agreement. At any time PBL may request the use of nonfirm Points of Receipt to provide Surplus Firm Power to Clallam. Notwithstanding section 7(b) above, PBL shall reimburse Clallam for any additional costs incurred due to compliance with such request, if any such costs are passed through to Clallam from Port Townsend's Wheeling Agreement.

(d) **Transmission Losses**

PBL shall provide Clallam the losses for Surplus Firm Power between the Points of Receipt and Clallam's system for Surplus Firm Power, at no additional charge. Such losses will be provided at Points of Receipt as established under section 7©, and under the terms and conditions as defined in the transmission provider's tariff.

(e) **Clallam Network Transmission Agreement**

The Parties acknowledge that this Agreement is not intended to be and does not constitute a resource under Service Agreement no. 01TX-10410 (Network Transmission Agreement) by and between Clallam and TBL, and that notwithstanding anything in this Agreement to the contrary Clallam may not use its Network Transmission Agreement to deliver any power under this Agreement or from any other resource to Port Townsend's Total Metered Load.

8. **MEASUREMENT**

Clallam authorizes PBL to use metering data as PBL determines is necessary to plan, schedule, and bill for power. Clallam agrees to authorize TBL to provide Clallam's metering data directly to PBL subject to any restrictions imposed by the Federal Energy Regulatory Commission (FERC). All Points of Measurement are shown in Exhibit C, Points of Measurement. Clallam agrees to provide reasonable notice to PBL prior to changing control areas.

## 9. BILLING AND PAYMENT

### (a) **Billing**

PBL shall bill Clallam monthly, consistent with applicable BPA rates, including the GRSPs and the provisions of this Agreement for the Surplus Firm Power provided to Clallam in the preceding month or months under this Agreement. PBL may send Clallam an estimated bill followed by a final bill. PBL shall send all bills on the bill's issue date either electronically or by mail, at Clallam's option. If electronic transmittal of the entire bill is not practical, PBL shall transmit a summary electronically, and send the entire bill by mail.

### (b) **Payment**

Payment of all bills, whether estimated or final, must be received by BPA on 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, the Due Date is the next business day. If payment has been made on an estimated bill before receipt of a final bill for the same month, Clallam shall pay only the amount by which the final bill exceeds the payment made for the estimated bill. PBL shall provide Clallam the amounts by which an estimated bill exceeds a final bill through either a check or as a credit on the subsequent month's bill. After the Due Date, a late payment charge shall be applied each day to any unpaid balance. The late payment charge is calculated by dividing the Prime Rate for Large Banks as reported in the Wall Street Journal, plus 4 percent; by 365. The applicable Prime Rate for Large Banks shall be the rate reported on the first day of the month in which payment is received. Clallam shall pay by electronic funds transfer using BPA's established procedures, and may elect to have bills under this Agreement consolidated with those rendered under the PSC.

### (c) **Disputed Bills**

In case of a billing dispute, Clallam shall note the disputed amount and pay its bill in full by the Due Date. Unpaid bills (including both disputed and undisputed amounts) are subject to late payment charges provided above. If Clallam 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 used to determine the interest is calculated by dividing the Prime Rate for Large Banks as reported in the Wall Street Journal; by 365. The applicable Prime Rate for Large Banks shall be the rate reported on the first day of the month in which payment is received by BPA.

### (d) **Payments Hereunder Not Conditional on Payments by Port Townsend**

Payment of any bill under this Agreement by Clallam is not conditional on payment of any amount due by Port Townsend to Clallam for power provided by Clallam to meet Port Townsend.

## 10. UNCONTROLLABLE FORCES

PBL shall not be in breach of its obligation to provide Surplus Firm Power to Clallam and Clallam shall not be in breach of its obligation to purchase Surplus Firm Power to the extent the failure to fulfill that obligation is due to an Uncontrollable Force.

“Uncontrollable Force” means an event beyond the reasonable control of, 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, by exercise of that Party’s reasonable diligence and foresight, such party could not be expected to avoid and was unable to avoid. Uncontrollable Forces include, but are not limited to:

- (a) any unplanned curtailment or interruption for any reason of firm transmission used to deliver Surplus Firm Power to Clallam’s facilities, including but not limited to unplanned maintenance outages;
- (b) any unplanned curtailment or interruption, failure or imminent failure of Clallam’s or Port Townsend’s production or transmission facilities, including but not limited to unplanned maintenance outages;
- (c) any planned transmission or distribution outage that affects either Clallam or PBL which was provided by a third-party transmission or distribution owner, or by a transmission provider, including TBL, that is functionally separated from the generation provider in conformance with Federal Energy Regulatory Commission (FERC) Orders 888 and 889 or its successors;
- (d) strikes or work stoppage, including the threat of imminent strikes or work stoppage; *provided, however*, that nothing contained in this provision shall be construed to require any Party to settle any strike or labor dispute in which it may be involved.
- (e) floods, earthquakes, or other natural disasters; and
- (f) orders or injunctions issued by any court having competent subject matter jurisdiction, or any order of an administrative officer which the Party claiming the Uncontrollable Force, after diligent efforts, was unable to have stayed, suspended, or set aside pending review by a court of competent subject matter jurisdiction.

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 any Party shall not constitute an Uncontrollable Force. The Party claiming the Uncontrollable Force shall notify the other Party as soon as practicable of that Party’s inability to meet to meet its obligations under this Agreement due to an Uncontrollable Force. The Party claiming the Uncontrollable Force shall notify

any control area involved in the scheduling of a transaction which may be curtailed due to an Uncontrollable Force.

Both Parties shall be excused from their respective obligations, other than from payment obligations incurred prior to the Uncontrollable Force, without liability to the other, for the duration of the Uncontrollable Force and the period reasonably required for the Party claiming the Uncontrollable Force, using due diligence, to restore its operations to conditions existing prior to the occurrence of the Uncontrollable Force.

**11. NOTICES**

Any notice required under this Agreement shall be in writing and shall be delivered: (a) in person; (b) by e-mail; (c) by United States Mail; (d) by a nationally recognized delivery service; or (e) by United States Certified Mail. Notices are effective when received. Any Party may change its address for notices by giving notice of such change consistent with this section 11.

If to Clallam:

Public Utility District No. 1 of Clallam  
County, Washington  
P.O. Box 1090  
Port Angeles, WA 98362-0212  
Attn: Fred Mitchell  
Telecommunications & Power  
Resources Manager  
Phones: 360-565-3235  
FAX: 360-687-5139  
E-Mail: fredm@clallampud.net

If to PBL:

Bonneville Power Administration  
Attn: Charles W. Forman, Jr. – PSW- 6  
Account Executive  
Phone: 503-230-3432  
FAX: 503-230-3242  
E-Mail: [cformanjr@bpa.gov](mailto:cformanjr@bpa.gov)

**12. GOVERNING LAW AND DISPUTE RESOLUTION**

(a) This Agreement shall be interpreted consistent with and governed by Federal Law. Final actions subject to section 9(e) of the Northwest Power Act are not subject to binding arbitration and shall remain within the exclusive jurisdiction of the United States Ninth Circuit Court of Appeals. Any dispute regarding any rights of the Parties under any BPA policy, including the implementation of such policy, shall not be subject to arbitration under this Agreement. Clallam reserves the right to seek judicial resolution of any dispute arising under this Agreement that is not subject to arbitration under this section 12. For purposes of this section 12, 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. If either Party asserts that a dispute is excluded from arbitration under this section 12, either Party may apply to the Federal court having jurisdiction for an order determining



whether such dispute is subject to arbitration under this section 12.

- (b) Any contract dispute or contract issue between the Parties arising out of this Agreement, except for disputes that are excluded through section 12(a) above, shall be subject to binding arbitration. The Parties shall make a good faith effort to resolve such disputes before initiating arbitration proceedings. During arbitration, the Parties shall continue performance under this Agreement pending resolution of the dispute, unless to do so would be impossible or impracticable.
- (c) Any arbitration shall take place in Portland, Oregon, unless the parties agree otherwise. The International Institute for Conflict Prevention and Resolution's arbitration procedures for commercial arbitration, Non-Administered Arbitration Rules (CPR Rules), shall be used for each dispute; **provided, however,** that: (1) the Parties shall have the discovery rights provided in the Federal Rules of Civil Procedure unless the Parties agree otherwise; and (2) for claims of \$1 million or more, each arbitration shall be conducted by a panel of three neutral arbitrators. The Parties shall select the arbitrators from a list containing the names of 15 qualified individuals supplied by the International Institute for Conflict Prevention and Resolution. If the Parties cannot agree upon three arbitrators on the list within 20 business days, the Parties shall take turns striking names from the list of proposed arbitrators. The Parties shall take turns striking names from the list of proposed arbitrators. The Party initiating the arbitration shall take the first strike. This process shall be repeated until three arbitrators remain on the list, and those individuals shall be designated as the arbitrators. For disputes involving less than \$1 million, a single neutral arbitrator shall be selected consistent with section 6 of the CPR Rules.
- (d) Except for arbitration awards which declare the rights and duties of the Parties under this Agreement, the payment of monies shall be the exclusive remedy available in any arbitration proceeding. Under no circumstances shall specific performance be an available remedy against either Party. The arbitration award shall be final and binding on both 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 arbitrators may be entered by any court having jurisdiction thereof.
- (e) Each Party shall be responsible for its own costs of arbitration, including legal fees. The arbitrators may apportion all other costs of arbitration between the Parties in such manner as they deem reasonable taking into account the circumstances of the case, the conduct of the Parties during the proceeding, and the result of the arbitration.

### 13. STANDARD PROVISIONS

- (a) **Amendments**  
No oral or written amendment, rescission, waiver, modification, or other

change of this Agreement shall be of any force or effect unless set forth in a written instrument signed by authorized representatives of each Party.

(b) **Assignment**

This Agreement is binding on any successors and assigns of the Parties. BPA may assign this Agreement to another Federal agency to which BPA's statutory duties have been transferred. Neither Party may otherwise transfer or assign this Agreement, in whole or in part, without the other Party's written consent. Such consent shall not be unreasonably withheld. BPA shall consider any request for assignment consistent with applicable BPA statutes. Clallam may not transfer or assign this Agreement to any of its retail customers.

(c) **Information Exchange and Confidentiality**

The Parties shall provide each other with any information that is reasonably required, and requested by either Party in writing, to operate under and administer this Agreement, including load forecasts for planning purposes, information needed to resolve billing disputes, scheduling and metering information reasonably necessary to prepare power bills that is not otherwise available to the requesting Party. Such information shall be provided in a timely manner. Information may be exchanged by any means agreed to by the Parties. If such information is subject to a privilege of confidentiality, a confidentiality agreement or statutory restriction under state or Federal law on its disclosure by a Party to this Agreement, then that party shall endeavor to obtain whatever consents, releases, or agreements are necessary from the person holding the privilege to provide such information while asserting the confidentiality over the information. Information provided to BPA which is subject to a privilege of confidentiality or nondisclosure shall be clearly marked as such and BPA shall not disclose such information without obtaining the consent of the person or Party asserting the privilege, consistent with BPA's obligation under the Freedom of Information Act. BPA may use such information as necessary to provide service or timely bill for service under this Agreement. BPA shall only disclose information received under this provision to BPA employees who need the information for purposes of this Agreement.

(d) **Entire Agreement**

This Agreement, including all provisions, exhibits incorporated as part of this Agreement, and documents incorporated by reference, constitutes the entire agreement between the Parties. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement.

(e) **Exhibits**

The exhibits listed in the table of contents are incorporated into this Agreement by reference. The exhibits may only be revised upon mutual agreement between the Parties unless otherwise specified in the exhibits. The body of this Agreement shall prevail over the exhibits to this Agreement

in the event of a conflict.

(f) **Third-Party Beneficiaries**

Port Townsend is an intended third-party beneficiary of BPA's obligation under the terms of this Agreement to provide Surplus Firm Power to Clallam, and Clallam's obligation under the terms of this Agreement to pay for such power. Except as provided in the preceding sentence, this Agreement is made and entered into for the sole protection and legal benefit of the Parties, and no other person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this Agreement

(g) **Waivers**

Any waiver at any time by either Party to this Agreement of its rights with respect to any default or any other matter arising in connection with this Agreement shall not be considered a waiver with respect to any subsequent default or matter.

(h) **BPA Policies**

Any reference in this Agreement to BPA policies, including without limitation BPA's NLSL Policy and the 5(b)/9(c) Policy, and any revisions thereto, does not constitute agreement by Clallam to such policy, nor shall it be construed to be a waiver of the right of Clallam to seek judicial review of any such policy.

(i) **Severability**

If any term of this Agreement is found to be invalid by a court of competent jurisdiction then such term shall remain in force to the maximum extent permitted by law. All other terms shall remain in force unless such term is determined to be material to this Agreement, or is not severable from all other provisions of this Agreement by such court.

(j) **Hold Harmless**

Each Party assumes all liability for injury or damage to persons or property arising from the act or negligence of its own employees, agents, members of governing bodies, or contractors. Each Party shall indemnify and hold the other Party harmless from any liability arising from such act or negligence.

(k) **BPA Appropriations Refinancing Act**

The Parties agree that the BPA Refinancing Section of the omnibus Consolidated Recisions and Appropriations Act of 1996 (The BPA Refinancing Act), P.L. No. 104-134, 110 Stat. 1321, 1350, as stated in the United States Code on the date this Agreement is signed by the Parties, is incorporated by reference and is a material term of this Agreement. The Parties agree that this provision and the incorporated text shall be included in subsequent agreements between the Parties, as a material term through at least September 30, 2011.

## 14. TERMINATION

- (a) BPA may terminate this Agreement on 30 days written notice to Clallam in the event the Ninth Circuit Court of Appeals or other court of competent jurisdiction issues a final, unappealable order preventing or prohibiting BPA from recovering under the Slice Agreements or its Slice rate schedules that portion of BPA's cost of service associated with this Agreement allocated by BPA to such Slice Agreements or Slice rate schedules. BPA shall diligently litigate any action challenging its ability to assess such costs. Clallam shall not be entitled to any damages for such termination and Clallam hereby expressly waives any right to seek such damages.
- (b) In the event the ninth Circuit Court of Appeals or other court of competent jurisdiction issues a final, unappealable order that declares or renders this Agreement void or otherwise unenforceable, Clallam shall not be entitled to any damages of any nature, in law or equity, from BPA. Clallam hereby expressly waives any right to seek such damages from BPA.
- (c) PBL may terminate this Agreement if Clallam fails to pay any bill due to BPA within 5 business days after its Due Date.
- (d) PBL may terminate or suspend this Agreement on 5 days written notice to Clallam if Port Townsend fails to pay any bill due to BPA within 5 business days after its Due Date.

**15. SIGNATURES**

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

PUBLIC UTILITY DISTRICT NO. 1 OF  
CLALLAM COUNTY, WASHINGTON

UNITED STATES OF AMERICA  
Department of Energy  
Bonneville Power Administration

By   /S/  MICHAEL MCINNES

By   /S/  CHUCK FORMAN, JR.  
Account Executive

Name   Michael McInnes  
*(Print/Type)*

Name   Charles W. Forman, Jr.  
*(Print/Type)*

Title   Interim General Manager

Date   August 22, 2006

Date   September 13, 2006

(W:PSW\PM\AE\_Forman\CL\_Clallam\Surplus Firm PSC\CL\_06PB-11694\_20060821\_Final.doc)8/21/06

**Exhibit A**  
**SURPLUS FIRM POWER RATE**

The firm Power Products and Services rate (FPS-07), or its successor, shall apply to the Surplus Firm Power purchased by Clallam under this Agreement and shall be priced as set forth below:

1. No later than thirty (30) days prior to the effective date of rates, charges or rebates, BPA shall unilaterally revise Table 1 of this Exhibit 1 of this Exhibit A to specify the demand, energy and other rates, charges or rebates that shall apply to the sale of Surplus Firm Power.

HLH and LLH energy rates for Surplus Firm Power shall be set equal to the corresponding Priority Firm Rate, including any CRACs or DDCs, for energy plus the typical industrial margin used to establish the Industrial Firm Power Rate in BPA's most recently concluded wholesale power rate proceeding in which the typical industrial margin was established. For the WP-07 rate proceeding, the typical industrial margin is \$0.57 per megawatt hour.

The demand and other charges or rebates for Surplus Firm Power shall be set equal to the corresponding Priority Firm Rates, including any CRACs or DDCs if applicable, for demand and other charges or rebates.

2. The monthly load variation charge paid by Clallam for Surplus Firm Power shall be calculated using the sum of the Total Metered load and the amount of energy (in megawatt-hours) generated by Port Townsend's onsite co-generation during each month.
3. Unless otherwise agreed to by the Parties, if Total Metered Load exceeds 17 annual average megawatts (aMW) during a Contract Year, then the amount in excess of 17 annual aMW shall be billed at the UAI charge for energy applicable to any unauthorized increase for September of the Contract Year in which such exceedence occurred.
4. If an Emergency NFB Surcharge (Surcharge), or its successor, is triggered under the Priority Firm Rate, BPA shall establish, for the period the Surcharge is in effect, a dollar per megawatt hour surcharge applicable to Total Metered Load that BPA expects will result in an amount of additional revenue equal to the additional revenue it would have received if: (a) sales under this Agreement were subject to the Surcharge; and (b) the amount of Total Metered Load during the period the Surcharge is in effect was equal to the amount of Total Metered Load during the preceding Contract Year. The dollar per megawatt hour surcharge calculated pursuant to this section 4 will not be charged for any month during which there are no deliveries to Clallam of Surplus Firm Power under this Agreement.

**Exhibit A, Table 1  
Surplus Firm Power Rates  
August 17, 2006**

<b>Month</b>	<b>HLH Rate (\$/MWh)</b>	<b>LLH Rate (\$/MWh)</b>	<b>Demand Rate \$/kW-Month</b>	<b>Load Variation Rate (\$/MWh)</b>
October	30.27	22.33	1.94	0.47
November	32.25	23.67	2.08	0.47
December	33.63	24.83	2.18	0.47
January	28.64	20.87	1.85	0.47
February	29.23	21.07	1.88	0.47
March	27.16	20.06	1.75	0.47
April	25.52	18.50	1.64	0.47
May	21.41	14.98	1.36	0.47
June	19.44	10.59	1.25	0.47
July	23.81	17.58	1.53	0.47
August	27.78	20.75	1.79	0.47
September	28.66	23.11	1.85	0.47

**Exhibit B**  
**ADDITIONAL PRODUCTS, SERVICES, AND SPECIAL PROVISIONS**

**1. MONTHLY CO-GENERATION AMOUNTS**

No later than three business days following the end of each month, Clallam shall provide or cause Port Townsend to provide to BPA in writing or by e-mail the total monthly amount of Port Townsend's onsite co-generation.

**2. REVISIONS**

This Exhibit B shall be revised upon mutual agreement of the Parties to reflect any new products, services, and special provisions that may be added during the term of this Agreement.



**Exhibit C**  
**POINTS OF MEASUREMENT FOR TOTAL METERED LOAD**

<b>Transmission Point of Delivery (Voltage) Point of Metering (Metering Voltage)</b>	<b>Metering Location</b>	<b>Manner of Service</b>
<b>Fairmount Transmission Point of Delivery (115 kV)</b>		
Pt. Town New Mill Out Meter No. 2871 (115 kV)	Port Townsend Paper	Direct – BPA to Clallam