

CON-078

Larson, Cheryl A - PS-6

From: Roberts, Timothy C - PGL-5
Sent: Wednesday, October 22, 2008 3:29 PM
To: Larson, Cheryl A - PS-6; Barham, Theodore J - PGL-5
Subject: FW: Slice Contract Template Section 3.4 Revisions

Attachments: Slice Section 3.4 (version 3)sent .doc; Section 3.4.2 Provision - Slice Contract 10-15-08.doc; Slice Contract 3.4 Kern-Toulson.doc

Edits in response to customer conversations...no official written e-mail or letter. Let's call this CON-078, you made need to include the attached e-mails in printed form.

Timothy

From: Oliver, Stephen R - PG-5
Sent: Friday, October 17, 2008 5:50 PM
To: 'HELGESON Dick'; 'JKallstrom@snopud.com'; 'pmurphy@mblp.com'; 'Toulson, Dana'; 'Steve.Kern@Seattle.Gov'; 'mtthompson@ppcpdx.org'
Cc: Roberts, Timothy C - PGL-5; Barham, Theodore J - PGL-5; Miller, Thomas - LP-7
Subject: Slice Contract Template Section 3.4 Revisions

On October 10, 2008, I provided you the BPA proposed Slice contract template modifications that we made in response to the Slice CEO's request. I asked you to identify any questions you had on those changes by COB October 14th. By e-mail on October 13th, Dick Helgesen, Slice CEO Committee Chair stated that, "...we do not have particular questions or clarification to pose at this point. Accordingly, we understand that BPA will be releasing the final template in the form and with the revisions you have noted."

Subsequently, on October 14th, Paul Murphy, representing certain Slice customer interests contacted BPA personnel stating that he would like to discuss clarifying section 3.4.2. BPA representatives met on October 15th with Murphy and other Slice and non-Slice customer representatives to discuss section 3.4.2. Attachment B below contains the draft clarification language presented by the Slice representatives, for BPA's consideration, as a result of that meeting. S Kern (Seattle) and D Toulson (SnoPUD) subsequently verified that they supported such clarification language.

In the process of discussing section 3.4, S Kern and D Toulson also requested a clarification to section 3.4.1 that would make it more consistent with 3.4.2. Attachment C below contains this request.

As a final result, BPA has modified the Slice template to address these clarification requests, and the final BPA Slice template language for section 3.4 is contained in Attachment A.



Slice Section 3.4
(version 3)s...

Attachment A



Section 3.4.2
Provision - Slic...

Attachment B: P.Murphy/J.Kallstrom/T.Metcalf proposed section 3.4.2 clarification language



Slice Contract 3.4
Kern-Toulso...

Attachment c: Kern/Toulson request to clarify 3.4.1 and make parallel to section 3.4.2

Thank you for your efforts to clarify and finalize this language. This completes BPA's response to the Slice CEO's requested highest priority issues.

I stated in my October 10th e-mail, that we planned to complete an updated version of the contract template incorporating the changes that we proposed at that time, by October 17, 2008. Given the additional discussions this week, we now intend to produce the final template by Wednesday October 22. At that point, BPA's contract specialists will update each customer's individual copy to incorporate the changes. Your Account Executive will contact you regarding when you can expect to receive the updated signature ready version.

Stephen R. Oliver
Vice President, Generation Asset Management
Bonneville Power Administration
Ph: (503) 230-7503 or (503) 230-4090
FAX: (503) 230-3986

Modifications to 10/10/2008 Language from BPA Includes Customer Suggested Changes, and BPA Final Edited Response

3.4 Peak Amount Methodologies

3.4.1 Standard for Calculating Resource Peak Amounts

The peak amounts for «Customer Name»'s Specified Resources will be stated at a future time~~peak amounts are set forth in Exhibit A for its Specified Resources and have been established pursuant to the Declaration Parameters set forth in the BPA Power Product Catalog dated April 2000, consistent with BPA's 5(b)/9(c) Policy. Such resource peak amounts will be developed contemporaneously and consistent with the determination of peak energy amounts pursuant to Section 3.4.2. If BPA determines it is necessary to update such resource peak amounts~~Declaration Parameters in order to incorporate different resource peaking capability determination standards, then BPA may, consistent with BPA's 5(b)/9(c) Policy and in accordance with section 3.4.3, develop and apply such revised resource peaking capability determination standards.

3.4.2 Method for Determining Peak Energy Amounts

The amounts of peaking energy «Customer Name» has purchased to meet its firm power load will be stated at a future time in Exhibit A. Until such time that peaking energy amounts are stated in Exhibit A, the amounts of peaking energy available to «Customer Name» are as provided under the Block Product and as calculated by the Slice Computer Application. BPA may adopt a methodology for calculating the amounts of peaking energy available to «Customer Name» under this Agreement. ~~Before any revision to peaking energy amounts may be applied in Exhibit A, BPA shall: (1) complete a process to adopt a methodology, pursuant to section 3.4.3, which shall include a reasonable calculation of «Customer Name»'s total peak load, «Customer Name»'s peaking energy capability from its resources, and BPA's peaking energy capability for the federal system for determination of peak loads, Federal and non-federal resource peak energy capability, and the amount of peaking energy that «Customer Name» can purchase under this Agreement, and (2) upon completion of such process, in consultation with «Customer Name», calculate the peak energy amounts in accordance with the methodology adopted and enter such amounts into Exhibit A. The application of any such methodology shall not by itself reduce BPA's obligation to provide peaking energy otherwise available under this Agreement to less than «Customer Name»'s net requirement peak stated in Exhibit A. BPA~~

and «Customer Name» shall take such actions and make such modifications, including to the Slice Computer Application, needed to timely implement any such ~~revision~~methodology.

3.4.3 Process for Modifying Peak Amounts

Any methodology for determining the peak energy capability of Specified Resources as described in section 3.4.1, or «Customer Name»'s peak energy amounts available from BPA under this Agreement, as described in section 3.4.2, will be developed by BPA in a public process, including consultation with «Customer Name» and other interested parties, a formal public comment process, and a record of decision. Except as otherwise agreed by «Customer Name» and BPA, any such methodology shall not require modification of the peak amount of any Specified Resource, or the peaking energy amounts listed in Exhibit A, until the first Fiscal Year of the Rate Period following BPA's written notice to implement the revised peaking capability standard, which shall be given to «Customer Name» at least 180 days before the start of such Fiscal Year.

B

Changes to relevant portions of section 3.4.2

... Before any revision to peaking energy amounts may be applied in Exhibit A, BPA shall: (1) complete a process to adopt a methodology, pursuant to section 3.4.3, which shall include a reasonable calculation of <<Customer Name>>'s total peak load, <<Customer Name>>'s peaking energy capability from its resources, and BPA's peaking energy capability for the federal system, and (2) upon completion of such process, in consultation with <<Customer Name>>, calculate the peak energy amounts in accordance with the methodology adopted and enter such amounts into Exhibit A. The application of any such methodology shall not reduce BPA's obligation to provide peaking energy under this Agreement to less than <<Customer Name>>'s net requirement peak stated in Exhibit A. BPA and <<Customer Name>> shall take such actions and make such modifications ...

C

From: Steve Kern [mailto:Steve.Kern@Seattle.Gov]
Sent: Thursday, October 16, 2008 3:23 PM
To: Oliver, Stephen R - PG-5
Cc: Theodore Coates; Dana Toulson
Subject: Fwd: Slice Contract Clarification

Steve,

Like Dana, (see her email below) I have reviewed my recent meeting/conference call notes with Steve Wright and others at BPA. As we discussed earlier today, at the meeting with Steve Wright on October 2, 2008 at PPC's offices I expressed Seattle's concerns about including resource peaking information in Exhibit A and specifically took issue with including Boundary peaking numbers in this exhibit given our current relicensing process. On the conference call with Steve Wright on October 10, 2008 I understood BPA would not require us to include any peaking information in this table.

If you have any further questions on this matter please don't hesitate to contact me at 206-684-3243.

Steve

Steven D. Kern
Power Supply & Environmental Affairs Business Unit Officer
Office - (206) 684-3243
Cell - (206) 450-2584

>>> "Toulson, Dana" <DAToulson@snopud.com> 10/16/2008 2:05 PM >>>

Steve,

I have confirmed from my notes the intentions of the Slice CEO group with respect to Resource Peak amounts under Section 3.4.1. It was the group's view that both the figures for peak MWs associated with Specified Resources and the method for calculating such figures be handled in a future public process. As such, we understood your offer to place zeros in Exhibit A to mean you would be showing zeros in the tables under Exhibit A Part C - Specified Resource Amounts.

As for the language contained in Section 3.4.1, I suggest two options:

1. Eliminate the section. Sections 3.4.2 and 3.4.3 are all that are needed.
2. Or, change the text to acknowledge a methodology was established in April 2000 and this methodology will be reviewed and possibly revised, as per Section 3.4.3, before peak amounts for Specified Resources are entered into Exhibit A.

Please let me know if you need further clarification.

--Dana

Dana Toulson

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