



Department of Energy

Bonneville Power Administration
«Customer Service Center»
«P.O. Box #####»
«City, State Zip»

POWER SERVICES

DRAFT «mmmm dd, yyyy»

In reply refer to: PS«X»-«Location»

Contract No. 12PB-«#####»
PF Tier 2 Vintage Market Sourced Rate
STATEMENT OF INTENT

«Mr/Ms. _____»
Title
Customer Name
P.O. Box #####
Anywhere, OR 97####»

Dear «Mr/Ms. _____»:

Pursuant to section 9.1 of Power Sales Agreement Contract No. 09PB-«#####» (Agreement), and section 2.3 of Exhibit C of the Agreement, «FULL NAME OF CUSTOMER» («Customer Name») will, by executing this Statement of Intent (SOI), make a binding commitment to purchase Firm Requirements Power sold under the Agreement by the Bonneville Power Administration (BPA) at a PF Tier 2 Vintage Market Sourced Rate, if BPA establishes such a rate. «Customer Name» shall specify the portion of its Above-RHWM Load to be converted and priced at a PF Tier 2 Vintage Market Sourced Rate in Table 1 within section 2.4 in the column labeled “Annual aMW Converted from Default Election.” The PF Tier 2 Vintage Market Sourced Rate, if established by BPA, will be consistent with the Tiered Rate Methodology (TRM), the Agreement and this SOI. If there is a conflict between the TRM and this SOI, the TRM shall take precedence. Similarly, if there is a conflict between the Agreement and this SOI, the Agreement shall take precedence. The specific PF Tier 2 Vintage Market Sourced Rate, if established, shall be referred to as the VR1-2016 Rate.

The Parties agree:

1. CONDITIONS FOR SERVICE

- 1.1 In order for BPA to propose the VR1-2016 Rate, BPA must receive requests for service at a PF Tier 2 Vintage Market Sourced Rate, as specified in the SOI executed by customers, in an aggregate load amount of 10 aMW or more for each fiscal year (FY) during FY 2016-2019 or FY 2016-2018, as determined by BPA. If such requests in the aggregate do not equal 10 aMW or more, then «Customer Name» shall take service at its default election as provided in section 1.2 of this SOI.

- 1.2 In accordance with section 9 of the Agreement, «Customer Name» elects as its “default election” for the second Purchase Period to serve its Above-RHWM Load with power purchased at the Tier 2 Short-Term Rate in an amount equal to the amount of power «Customer Name» has identified in Table 1, section 2.4 in the column labeled “Annual aMW Converted from Default Election.”
- 1.3 The deadline for «Customer Name» to sign this SOI is no later than, «month day, year» to be eligible to purchase power at the VR1-2016 Rate, if established.
- 1.4 Additional criteria for service are included in Exhibit A, which is attached and made a part of this SOI as if fully set out herein.

2. ESTABLISHING THE VR1-2016 RATE AND ASSOCIATED COSTS

- 2.1 BPA shall propose to establish a Tier 2 Vintage Rate for each Rate Period as part of the preceding 7(i) Process.
- 2.2 BPA shall design and set the VR1-2016 Rate to recover the costs of BPA supplying flat annual blocks, equal in all hours of the year, of market sourced power. «Customer Name» elects to have BPA serve the portion of its Above-RHWM Load stated in Table 1 of this SOI at the VR1-2016 Rate, if established.
- 2.3 BPA shall design the VR1-2016 Rate to also recover the administrative costs of developing, negotiating and executing any BPA power purchase contracts associated with a VR1-2016 Rate. These costs as well as other applicable costs including, but not limited to, purchase fees, risk premiums, and odd lot charges, will be determined in the 7(i) Process used to establish the applicable VR1-2016 Rate.
- 2.4 The average undelivered power purchase cost to be allocated to the VR1-2016 Rate shall not exceed the weighted average of \$«X»/MWh over the 4 year term (FY 2016-2019), or \$«X»/MWh over the 3 year term (FY 2016-2018), whichever purchase term is offered by BPA. These costs are also shown in Table 1 below.

BPA intends, but is in no way obligated, to purchase power for FY 2016-2019, or FY 2016-2018, at prices no higher than the average energy prices noted above to establish the energy cost basis for the VR1-2016 Rate across either purchase term (FY 2016-2019 or FY 2016-2018). The energy cost allocated to the proposed rate shall not exceed the average energy price(s) that are stated above and in Table 1 below.

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Drafter's note: customer must fill in the table with the aMW, in whole megawatt amounts, it is electing to purchase at this Vintage Rate for each year of the purchase term, subject to BPA's determination of its maximum eligibility to purchase at this Vintage Rate.

Table 1 – Annual aMW Converted from Default Election			
Fiscal Year	Annual aMW Converted from Default Election	Maximum Cost \$/MWh	Special Considerations (location, transmission, energy type, etc)
FY 2016 – 2019 Purchase Term			
2016		«\$X.00»	Market Purchase
2017		«\$X.00»	
2018		«\$X.00»	
2019		«\$X.00»	
Weighted Average Cost \$/MWh		«\$X.00» ^{1/}	
FY 2016 – 2018 Purchase Term			
2016		«\$X.00»	Market Purchase
2017		«\$X.00»	
2018		«\$X.00»	
Weighted Average Cost \$/MWh		«\$X.00» ^{1/}	

^{1/} The weighted average cost is the sum of each fiscal year's average megawatt amount multiplied by the maximum cost, and then divided by the total number of years in the purchase term.

2.5 Additional information describing the costs attributable to the VR1-2016 Rate is stated in Exhibit A.

3. CONTRACT ADMINISTRATION

By no later than «month day, year» BPA shall notify «Customer Name» of the amount of its request that may be accommodated by this Tier 2 Vintage Rate.

4. RELIEF FROM «CUSTOMER NAME»'S ELECTION IN SOI

4.1 If BPA is not able to obtain power at or below the weighted average cost stated in section 2.4 above for either purchase term, FY 2016-2019 or FY 2016-2018, by «month day, year» then «Customer Name» shall be relieved of any PF Tier 2 Vintage Market Sourced Rate obligations under this SOI except as noted in section 5 below.

4.2 If BPA is unable to establish the VR1-2016 Rate or cannot meet the conditions set forth in this SOI, then «Customer Name» shall be relieved of any PF Tier 2 Vintage Market Sourced Rate obligations under this SOI except as noted in section 5 below.

5. CONTINUING OBLIGATION.

Notwithstanding anything to the contrary in this SOI, and in the event that BPA is unable to establish the VR1-2016 Rate, any obligations stated in section 1.2 of this SOI and sections 1, 3, and 5 of Exhibit A shall continue until satisfied, if BPA has made power purchases or incurred costs that would otherwise be assigned to this VR1-2016 Rate.

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If the terms of this SOI are acceptable, please sign and date both originals and return them to BPA. BPA will return a fully executed original for your files.

ACCEPTED:

Sincerely,

«FULL NAME OF CUSTOMER»

By _____

«Senior» Account Executive

Name _____
(Print/Type)

Name _____
(Print/Type)

Title _____

Date _____

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Exhibit A
STANDARD PROVISIONS

1. COST ELEMENTS OF THE TIER 2 VINTAGE RATE

In addition to the costs discussed in the body of this SOI and resource-specific costs of power, including fixed and variable costs of a resource, BPA may, in each 7(i) Process to establish the applicable Tier 2 Vintage Rate, also include, without limitation, the following cost components:

Risk Adjustments: Cost adjustments for risks, if any, may include additional \$/MW charges or other true-up payments.

Resource Support Services (RSS): Cost of converting raw energy output into a flat annual block of energy. Because the power purchase associated with this Tier 2 Vintage Rate will be composed of flat annual blocks of market purchases, an RSS adder should not be required.

Overhead Cost Adder: Cost of administering the Tier 2 Vintage Rate.

Excess Tier 1 System Resources Contribution, if any: Any adjustments necessary and consistent with the TRM, including the use of unused Tier 1 System Capability, if available, for providing part or all of the service to the Tier 2 Vintage Rate purchased at BPA's election.

2. TIER 2 VINTAGE RATE AVAILABILITY CRITERIA

Eligibility: Consistent with the terms of and elections made by «Customer Name» under the Agreement, power purchase amounts «Customer Name» has elected to purchase from BPA at the Tier 2 Short-Term Rate are eligible to convert to service at this Tier 2 Vintage Rate.

Limits on Availability: The amount of «Customer Name»'s Above-RHWM Load at Tier 2 rates available for conversion to one or more Tier 2 Vintage Rates is limited by the amount of Tier 2 Short-Term Rate «Customer Name» has elected to purchase in accordance with Exhibit C of the Agreement. «Customer Name» may also be limited by the amount of energy BPA elects to procure at a Tier 2 Vintage Rate as described below.

Reduction Process if Customers' Total Requests Exceed Availability: If customers' total requests to purchase power at a Tier 2 Vintage Rate for any Fiscal Year are in excess of the amount of energy BPA elects to procure for a Tier 2 Vintage Rate for that Fiscal Year, then BPA shall reduce «Customer Name»'s requested purchase amount on a pro-rata basis for such Fiscal Year with the resulting amount rounded to a whole megawatt amount. However, BPA shall only apply such a reduction in FY 2016 if a customer has requested purchase amounts of 2 aMW or greater for such Fiscal Year and in FY 2017 through FY 2019 if a customer has requested purchase amounts of 3 aMW or greater in any such Fiscal Year.

3. SUPPLIER DEFAULT/DRY HOLE RISK

In the event that deliveries of power to BPA from a specific resource or market purchase BPA used to establish a Tier 2 Vintage Rate Cost Pool are temporarily

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interrupted, then BPA may include the cost of replacement power in the Tier 2 Vintage Rate Cost Pool for the next applicable Rate Period without regard to any cost caps provided in section 2.4 of the SOI. In the event that deliveries of power to BPA from an acquired resource used to establish this Tier 2 Vintage Rate Cost Pool permanently end, starting with the next applicable Rate Period, BPA will price the amount of power «Customer Name» has identified in Table 1, section 2.4, to «Customer Name» at the Tier 2 Short-Term Rate, until BPA proposes and establishes another Tier 2 Vintage Rate, at which time «Customer Name» may elect to purchase power at the new Tier 2 Vintage Rate.

If deliveries of power to BPA from an acquired resource cease for any reason, then BPA shall include all costs of acquiring power assigned to, but not yet fully recovered from, a Tier 2 Cost Pool for a Tier 2 Vintage Rate in an applicable Tier 2 Rate paid by this Tier 2 Vintage Rate Cost Pool to BPA. Recovery of such costs shall remain the obligation of those customers in the Tier 2 Vintage Rate Cost Pool that take service under such Tier 2 Vintage Rate until fully recovered. This obligation applies even if such obligation is not determined until the Rate Period following the end of the customer's purchase period under this rate. BPA shall include any settlement, credit support or other monies BPA receives from the defaulted supplier as credit in the applicable Tier 2 Vintage Rate Cost Pool. Alternatively, subject to the 7(i) process, BPA intends to credit «Customer Name» any proceeds resulting from replacement power costs that more than fully recovers any Tier 2 Cost Pool expenses for the Tier 2 Vintage Rate.

4. NOTIFICATION AND EXECUTION OF CONTRACT REVISION

If the Tier 2 Vintage Rate is established then BPA shall revise Exhibit C of the Agreement to reflect the changes to «Customer Name»'s elections pursuant to section 2.3.1.6 of Exhibit C of the Agreement, including «Customer Name»'s purchase amount at the Tier 2 Vintage Rate.

5. IF BPA DOES NOT ESTABLISH A TIER 2 VINTAGE RATE

BPA neither warrants nor guarantees that it will establish a Tier 2 Vintage Rate which meets the conditions established above for the proposed Tier 2 Vintage Rate. If BPA is unable to purchase power that meets the terms of this SOI for the Tier 2 Vintage Rate described above by «month day, year», then the rate described in this SOI will not be offered by BPA and «Customer Name» will retain its obligation to purchase power at its default election to serve its Above-RHWM Load.

If BPA is able to purchase power that meets the terms of this SOI for the Tier 2 Vintage Rate described above by «month day, year», but is unable to establish the Tier 2 Vintage Rate which meets the conditions established above, then service at the Tier 2 Vintage Rate described in this SOI will not be offered by BPA and «Customer Name» will retain its obligation to purchase power at its default election to serve its Above-RHWM Load. In such event, BPA shall allocate the costs of this Tier 2 Vintage Rate in accordance with Section 3.4 of the TRM.

6. REMARKETING OF TIER 2 AMOUNTS DUE TO LOAD LOSS

If «Customer Name» is purchasing power at a Tier 2 Vintage Rate and experiences load loss or reductions to its Above-RHWM Load, «Customer Name» may elect to have BPA remarket an amount of power equal to such lost load or Above-RHWM

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Load from its Tier 2 Vintage Rate purchase. BPA will remarket such amounts pursuant to section 10 of the Agreement.

7. **CONVERSION COSTS TO CONVERT FROM TIER 2 SHORT-TERM RATE**
Pursuant to section 2.3.1.4 of Exhibit C of the Agreement, BPA will determine in the applicable 7(i) Process whether any rates or charges should be applied to a customer transferring from the Tier 2 Short-Term Rate service to a Tier 2 Vintage Rate service.

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