

Proposed Terms of Settlement

1. Except as provided in section 8(d), this agreement shall be in effect from the date it is executed by the Bonneville Power Administration (BPA) until September 30, 2011.
2. As part of the FY2010-2011 transmission rate case, BPA will adequately staff and conduct a series of public rate case workshops, which shall include a robust stakeholder process, to develop a methodology for estimating within-hour regulation and following reserve needs to accommodate expected higher levels of wind integration and changing system operations within the BPA Balancing Authority. BPA will hold the first workshop during the week of May 5, 2008. In these workshops, BPA will:
 - (a) develop and take comment on a methodology for estimating the monthly within-hour quantities of incremental regulating reserves, decremental regulating reserves, incremental following reserves, and decremental following reserves, or other reserves identified by the methodology, as needed by the BPA Balancing Authority.
 - (b) assess and document potential terms and conditions for acquisition of reserves from non-Federal parties based on the existing markets used within the BPA Balancing Authority and the Northwest Power Pool.
 - (c) make a good faith effort to make the data presented at workshops accessible and available to workshop participants at least three business days in advance of the meeting at which the data will be discussed.
3. BPA shall use the methodology for estimating within-hour regulation and following reserve needs (described in Paragraph 2 above) as the basis for estimating the quantity of within-hour reserve needs in its initial rate case proposal for BPA's FY 2010-2011 transmission rate case.
4. As part of the FY 2010-2011 power rate case, BPA shall hold a series of public rate case workshops, as appropriate, in which BPA will develop and take comment on its methodology for allocating costs to generation inputs for regulating reserves, following reserves, or other reserves identified by the BPA methodology described in Paragraph 2 above, provided by BPA Power Services to BPA Transmission Services.
5. No later than the applicable FY 2012-2013 rate case (in the power rate case unless BPA determines that another forum is appropriate) for allocating costs of regulating reserves used to provide load regulation (currently collected through the Regulation Frequency Response rate) and load following (currently collected through the Priority Firm Power rate) and generation regulation and generation following (collected through the Wind

Integration - Within-Hour Balancing rate), BPA's initial proposal shall use a cost allocation methodology that is consistent for all such reserves. Any differences in the cost allocation for any such reserves shall be based on demonstrable criteria.

6. (a) Under the direction of the BPA Deputy Administrator, BPA will charter a cross-agency Wind Integration Team (WIT). The goal of the WIT will be to work with other BPA groups to develop a set of coordinated processes and procedures for (1) managing the requirements for generation inputs used by the BPA Balancing Authority to provide reserves, (2) identifying new sources of supply of such generation inputs, (3) reducing the demand on the existing capacity of the Federal Columbia River Power System (FCRPS) to provide such generation inputs, and (4) acquiring cost-effective capacity resources that meet BPA's firm power obligations and the generation input needs of the BPA Balancing Authority. BPA will seek ways to meet its power and transmission obligations, including reserves, at the least practical cost.

(b) BPA's Vice President of Generation Asset Management and Manager of Transmission System Operations will develop a formal work plan for the WIT, including staffing requirements, budget, and public involvement. BPA will make available a total of \$2 million during FY 2008 and FY 2009 from the renewable facilitation funds in BPA's existing rates to fund activities of the WIT, which sum shall include the costs of four full-time-equivalent employees from across the agency. The WIT will periodically provide general summaries of expenditures for its activities. Following consultation with customers and other stakeholders, the WIT will determine the activities and sequence of activities to accomplish the above goal. In doing so, the WIT will address the following general areas:

- i) Wind Forecasting and Reserves Allocations. Examine forecasting capabilities, business practices and scheduling practices to:
 - a. Potentially mitigate capacity requirements for managing generation imbalance;
 - b. Potentially improve identification of the type of each reserve needed at any given time; and
 - c. Identify appropriate accountability and responsibility for forecasting and scheduling.
- ii) Third Party Supply of Generation Inputs to the BPA Balancing Area. Define the technical, commercial, and cost-recovery criteria for procuring generation inputs from non-federal entities. Subject to successful completion of this initial work, conduct a pilot project to source reserves from third parties.

iii) **Dynamic Scheduling.** Conduct a technical assessment and cost estimate for increasing the dynamic transfer capabilities of the Northern and Southern Interties and evaluate the operational impacts and system requirements for increasing dynamic scheduling across the BPA network in general.

iv) **ACE Diversity.** Subject to resolving legal issues, participate in the ACE Diversity Interchange in 2008 on a pilot basis.

7. In its Resource Program, which is commencing in FY 2008, BPA will assess the capacity of the federal system available to meet all of BPA's present and future capacity obligations. BPA will publicly explain the methodologies used to make the assessments of firm power obligations and generation input needs of the BPA Balancing Authority.

8. (a) Subject to the limitations in any licenses and to any other contractual restrictions, those signatories that own or operate wind generators in the BPA Balancing Authority Area will make a good faith effort to provide in a timely fashion data related to the output of such wind generators that is maintained in the normal course of business (other than data regarding pricing or other commercial terms and conditions) and that is reasonably requested by the WIT to perform wind integration analyses, provided that the cost to the party that must provide the data is limited to routine administrative costs to gather and provide the data; and provided further that, if a party objects to providing any data because of the cost, BPA has the right (also subject to any licenses and contractual restrictions) to obtain the data upon payment of such cost.

(b) The signatories will identify in writing any commercially sensitive data, which will be subject to a non-disclosure agreement. BPA will use commercially sensitive data only for purposes of performing wind integration analyses and will make such data public only on an aggregated basis.

(c) BPA will ensure that no real-time, day-ahead, or term power trader has access to any disaggregated data provided by any signatory under this paragraph 8.

(d) Sections 6 and 8 of this agreement will continue in effect if, on or before September 30, 2011, BPA and all signatories subject to section 8(a) execute an agreement to continue such sections in effect.

9. BPA staff will submit a new rate proposal (Revised Proposal) to establish a rate for Wind Integration - Within-Hour Balancing Service as set forth in Attachment A. The billing factor in such revised proposal shall be the

Formatted: Indent: Left: 49.5 pt

Formatted: Bullets and Numbering

Deleted: follow the following procedures with respect to real-time, day-ahead, and term power traders that are members of the WIT:¶

¶
<#>BPA may designate up to four such power traders as members of the WIT at any time, and may replace any such power trader with another real-time, day-ahead, or term power trader at any time. ¶

¶
<#>Each power trader that is a member of the WIT shall sign a non-disclosure agreement under which the power trader agrees not to disclose to anyone other than a member of the WIT any commercially sensitive data provided by any signatory, and to use such data only for purposes of performing wind integration analyses.¶

¶
<#>BPA will ensure that all commercially sensitive data provided by any signatory will be retained in a computer drive that is not available to any real-time, day-ahead, or term power trader that is not a member of the WIT. BPA will also ensure that real-time, day-ahead, and term power traders that are not members of the WIT have no access to any such data either electronically or in physical form.¶

¶
<#>BPA will ensure that power traders that are members of the WIT do not print any commercially sensitive data from a computer, do not make copies of any such data, and do not have any such data in their possession except during meetings of the WIT.¶

¶
<#>BPA will ensure that the power traders that are members of the WIT do not have access to any commercially sensitive data until at least thirty days after the date that the event that the data documents occurred. ¶

¶
BPA will ensure that, immediately after a power trader is no longer a member of the WIT, such power trader has no access to any commercially sensitive data provided by any signatory just as if such power trader had never been a member of the WIT.

billing factor included in BPA's initial proposal in this case. The Revised Proposal will only consist of the following:

- (a) the Attachment A rate schedule;
- (b) an explanation that BPA acknowledges that, had it proceeded with its initial proposal, various parties would have filed testimony contesting different aspects of BPA's proposed methodology, including among other things BPA's calculation of the amount of reserves needed to provide wind integration within-hour balancing service and the costs of such reserves, and that the rate is based upon compromise and settlement among the parties;
- (c) this Settlement Agreement;
- (d) an explanation that the additional revenues being collected in this case will be credited to power through the supplemental Wholesale Power Rate Case, WP-07S and a forecast of the amount of such revenues;
- (e) an explanation that therefore the impact of WI-09 is revenue neutral to BPA and will have no effect on BPA's collection of its total system costs or the probability of timely repayment to the Treasury of the Federal investment in the FCRPS; and
- (f) an explanation that BPA has determined that, through adherence to comparability principles, its transmission rates equitably allocate the costs of the Federal transmission system between Federal and non-Federal power utilizing such system, and an acknowledgment that, had BPA proceeded with its initial proposal, various parties would have contested this determination.

10. Because of the settlement, the parties accept the rate design for the Wind Integration - Within-Hour Balancing rate for FY 2009, and, for FY 2009, will not contest BPA's determination, as noted in paragraph 9(f), that its transmission rates satisfy the equitable allocation test.

11. If BPA staff submits a Revised Proposal as set forth in and limited by paragraph 9 of this agreement, the signatories (i) agree not to contest in the WI-09 rate case any aspect of the Revised Proposal, including but not limited to the level of the Wind Integration - Within-Hour Balancing rate and agree to waive their rights to cross-examination and discovery with respect thereto, and (ii) agree not to contest, and to waive cross-examination and discovery regarding the forecast revenues from WI-09 rate included in the supplemental WP-07 rate case as a credit to power rates, if such forecast revenues are the same as the forecast revenues stated in the Revised Proposal in the WI-09 rate case.

12. If no party in the rate case contests any aspect of the Revised Proposal, BPA staff will propose to the Administrator that he adopt the Revised Proposal and establish rates consistent therewith. If any party in the rate case contests the Revised Proposal or any aspect of it, BPA may in its discretion

withdraw the Revised Proposal and proceed with its initial proposal. If under such circumstances BPA elects to withdraw its Revised Proposal, this settlement agreement shall be null and void and no longer binding on the signatories. If under such circumstances BPA elects to proceed with its Revised Proposal, the signatories to this settlement agreement will continue to support the Revised Proposal, and in addition may elect to respond to the position(s) of the party or parties contesting the Revised Proposal, and to any revision to the Revised Proposal that may be proposed by BPA staff in testimony, or by the Administrator in the draft Record of Decision.

13. BPA's commitments in paragraphs 2 through 7 of this settlement agreement are contingent on the Administrator establishing a rate consistent with the Revised Proposal included in paragraph 9. If the Administrator establishes a Wind Integration - Within-Hour Balancing rate consistent with the Revised Proposal and submits such rate to the Federal Energy Regulatory Commission (FERC) for confirmation and approval only for FY 2009 and only under the applicable standards of the Northwest Power Act, the signatories agree not to challenge such confirmation and approval of such rate or to support or join any such challenge, and agree not to challenge such rate in any judicial forum or to support or join any such challenge, and agree not to assert before FERC or in any judicial forum that BPA fails to meet FERC's reciprocity standard under Order 888 because of the FY 09 Wind Integration - Within-Hour Balancing rate. The signatories' commitments and waivers set forth in this paragraph and in paragraphs 8, 10, 11, 12, and 14 are contingent on the Administrator issuing a Final Record of Decision establishing a Wind Integration - Within-Hour Balancing rate consistent with the Revised Proposal.
14. The signatories agree that they will not assert in any forum that anything in this settlement agreement or any action with regard to this 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. No signatory waives its right to assert, in any BPA rate case or related FERC or court proceeding, any position it may have regarding the adoption of a BPA rate or service, including its establishment, sufficiency or basis, to be effective after the end of FY 2009 rate period, including without limitation that (i) BPA may or may not assess a charge for any new service such as a Wind Integration - Within-Hour Balancing service under such signatory's existing generation interconnection agreement, and (ii) BPA's adoption of a rate or service such as wind integration - within-hour balancing service does or does not meet FERC's reciprocity standard under Order 888. Signatories waive their right to assert that BPA may not assess such charge under such signatory's existing generator interconnection agreement during the 2009 rate period.

15. Other than the waivers expressly set forth in paragraphs 10, 11, 12, 13, and 14, no signatory waives and each signatory expressly reserves its rights, including without limitation its right to assert or contest that BPA's public body and cooperative customers have preference and priority to the capacity of the FCRPS, including capacity used to provide regulating and following reserves.

ATTACHMENT A

ACS-09

ANCILLARY SERVICES AND CONTROL AREA SERVICES RATE

SECTION I. AVAILABILITY

* * *

Control Area Service rates available under this rate schedule are:

* * *

5. Wind Integration – Within-Hour Balancing Service

* * *

SECTION III. CONTROL AREA SERVICE RATES

E. WIND INTEGRATION – WITHIN-HOUR BALANCING SERVICE

The rate below applies to all wind plants in the BPA Control Area except as described in Section E. 3. Within-Hour Balancing Service provides the generation capability to follow within-hour variations of wind resources in the BPA Control Area and to maintain the power system frequency at 60 Hz in conformance with NERC and WECC reliability standards.

1. RATE

The rate shall not exceed \$0.68 per kilowatt per month.

2. BILLING FACTOR

The Billing Factor is as follows:

- i. For each wind plant, or phase of a wind plant, that has completed installation of all units no later than the 15th of the month prior to the billing month the billing factor will be the nameplate of the plant in kW. A unit has completed installation when it has generated and delivered power to the BPA system.

ii. For each wind plant, or phase of a wind plant, for which some but not all units have been installed by the 15th day of the month prior to the billing month, the billing factor will be the maximum measured hourly output of the plant through the 15th day of the prior month in kW.

3. EXCEPTIONS

i. This rate will not apply to a wind plant, or phase of a wind plant, that, in BPA's determination, has put in place, tested, and successfully implemented no later than the 15th day of the month prior to the billing month, the dynamic transfer of plant output out of BPA's Balancing Authority Area to another Balancing Authority Area.

ii. This rate will not apply to a wind plant, or phase of a wind plant, that, in BPA's determination, has put in place, tested, and successfully implemented no later than the 15th day of the month prior to the billing month, self-supply of within-hour balancing, including any contractual arrangements for third-party supply.