

Ordinance No. 122672

Council Bill No. 116176

AN ORDINANCE relating to the City Light Department; authorizing the execution of a 10-year services and power purchase agreement with the Sacramento Municipal Utility District for renewable energy and environmental attributes.

CF No. _____

Date Introduced:	<u>04-07-08</u>	
Date 1st Referred:	<u>04-07-08</u>	To: Energy and Technology (ETC)
Date Re - Referred:		To: (committee)
Date Re - Referred:		To: (committee)
Date of Final Passage:	<u>4-21-08</u>	Full Council Vote: <u>8-0</u>
Date Presented to Mayor:	<u>4-22-08</u>	Date Approved: <u>4-30-08</u>
Date Returned to City Clerk:	<u>4-30-08</u>	Date Published: <u>3</u> T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/>
Date Vetoed by Mayor:		Date Veto Published:
Date Passed Over Veto:		Veto Sustained:

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: _____

Councilmember

Committee Action:

4-16-08 Pass BHIG, RC

4-21-08 Passed 8-0 (Excused: Licata)

This file is complete and ready for presentation to Full Council. Committee: _____ (initial/date)

Law Department

Law Dept. Review OMP Review City Clerk Review Electronic Copy Loaded Indexed

ORDINANCE 122672

1
2 AN ORDINANCE relating to the City Light Department; authorizing the execution of a 10-year
3 services and power purchase agreement with the Sacramento Municipal Utility District
4 for renewable energy and environmental attributes.

4 WHEREAS, the Sacramento Municipal Utility District ("SMUD") is purchasing the capacity,
5 energy output and Environmental Attributes from the Burlington Project, a cogeneration
6 biomass project in Skagit County, Washington; and

7 WHEREAS, SMUD requires up to 15 MW of Burlington Net Project Energy, or an equivalent
8 amount of energy from an alternative renewable resource, to be scheduled and delivered
9 to the California-Oregon Border ("COB"); and

9 WHEREAS, SMUD desires that the City Light Department ("City Light") schedule the output
10 from the Burlington Project and exchange up to 15 MW of Burlington Net Project
11 Energy; and

11 WHEREAS, City Light is willing to deliver up to 15 MW of energy to SMUD at COB in
12 exchange for SMUD deliveries of the equivalent amount of energy to City Light at the
13 SCL/Puget Interface; and

14 WHEREAS, City Light is capable of and is amenable to scheduling the output from the
15 Burlington Project; and

15 WHEREAS, City Light desires reliable capacity and energy in the winter months and SMUD is
16 capable of providing such capacity and energy in exchange for the services stated above;
17 and

18 WHEREAS, City Light desires to acquire any Burlington Net Project Energy and Environmental
19 Attributes that are in excess of 15 MW, and SMUD is capable of providing such energy
20 and Environmental Attributes; NOW THEREFORE,

20 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

21 Section 1. The Superintendent of City Light, or his designee, is hereby authorized to
22 execute for and on behalf of the City of Seattle a 10 year Confirmation Agreement for Renewable
23 Energy Scheduling, Delivery, Purchase and Exchange, substantially in the form attached hereto
24 as Attachment 1. This agreement between the Sacramento Municipal Utility District and City
25 Light Department sets forth the terms under which SMUD will receive services from City Light
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1 for the scheduling and delivery of new renewable energy to SMUD in exchange for SMUD's
2 delivery of winter energy to City Light, and under which City Light will purchase new renewable
3 energy and environmental attributes from SMUD that are surplus to SMUD's needs.

4 Section 2. Any act taken pursuant to the authority of this ordinance and prior to its
5 effective date is hereby ratified and confirmed.

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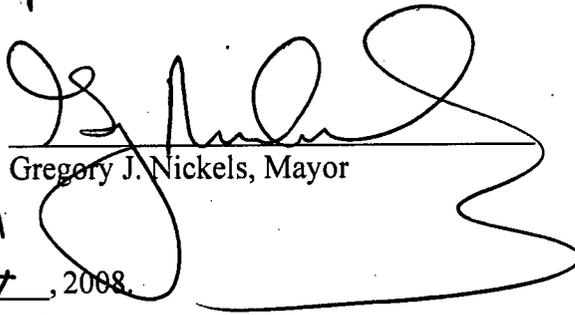


1 Section 3. This ordinance shall take effect and be in force thirty (30) days from and after
2 its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days
3 after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

4 Passed by the City Council the 21st day of April, 2008, and signed by me in open
5 session in authentication of its passage this 25th day of April, 2008.

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8 President _____ of the City Council

9 Approved by me this 30th day of April, 2008.

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12 Gregory J. Nickels, Mayor

13 Filed by me this 30th day of April, 2008.
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17 
18 City Clerk

19 (Seal)

20 Attachment 1: Confirmation Agreement for Renewable Energy Scheduling, Delivery, Purchase
21 and Exchange
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CONFIRMATION AGREEMENT
Between
Sacramento Municipal Utility District
And
The City of Seattle through its City Light Department

COVER SHEET

<p>Name: Sacramento Municipal Utility District All Notices: Street: <u>6301 S Street</u> City: <u>Sacramento, CA</u> Zip: <u>95817-1899</u> Attn: Contract Administration Phone: <u>(916) 732-6849</u> Facsimile: <u>(916) 732-6002</u> Email: <u>gschwar@smud.org</u> Duns: <u>60-981-4355 or 00-923-5342</u> Federal Tax ID Number: <u>946001157</u></p>	<p>Name: Seattle City Light All Notices: Street: <u>PO Box 34023</u> City: <u>Seattle, WA</u> Zip: <u>98124-4023</u> Attn: Contract Administration Phone: <u>(206) 684-3654</u> Facsimile: <u>(206) 386-4555</u> Email: <u>connie.fevold@seattle.gov</u> Duns: <u>009483629</u> Federal Tax ID Number: <u>91-6001275</u></p>
<p>Preschedule: Attn: <u>Prescheduling Desk</u> Phone: <u>(916) 732-5669</u> Facsimile: <u>(916) 732-6436</u> Email: <u>dclaus@smud.org;</u> <u>smitch1@smud.org; bhochst@smud.org;</u> <u>tsimms@smud.org; rhollar@smud.org;</u> <u>gmiller@smud.org</u></p>	<p>Preschedule: Attn: <u>Doug Carmichael</u> Phone: <u>(206) 615-0963</u> Facsimile: <u>(206) 615-0969</u> Email: <u>doug.carmichael@seattle.gov,</u> <u>ali.rodol@seattle.gov, or</u> <u>sclpwsched@seattle.gov</u></p>
<p>Real Time Marketing: Attn: <u>Real-Time Desk (Merchant)</u> Phone: <u>(916) 732-5177</u> Facsimile: <u>(916) 732-6436</u> Email: <u>rtt1@smud.org;</u> <u>rtt2@smud.org</u></p>	<p>Real Time Marketing: Attn: <u>Real Time Desk</u> Phone: <u>(206) 615-0966</u> Facsimile: <u>(206) 615-0969</u> Email: <u>n/a</u></p>
<p>Real Time Balancing Authority: Attn: <u>System Operator</u> Phone: <u>(916) 732-5964</u> Facsimile: <u>(916) 732-6313</u> Email: <u>psogas@smud.org</u></p>	<p>Real Time Balancing Authority: Attn: <u>Generation Dispatch Desk</u> Phone: <u>(206) 706-0204</u> Facsimile: <u>(206) 706-0148</u> Email: <u>N/A</u></p>
<p>Confirms: Attn: <u>Tom Fischbach</u> Phone: <u>(916) 732-5775</u> Facsimile: <u>(916) 732-5554</u> Email: <u>tfischb@smud.org</u></p>	<p>Confirms: Attn: <u>Nhung Mach</u> Phone: <u>(206) 684-3535</u> Facsimile: <u>(206) 287-5138</u> Email: <u>nhung.mach@seattle.gov</u></p>



Invoices: Attn: <u>Michael Troth</u> Phone: <u>(916) 732-6874</u> Facsimile: <u>(916) 732-5554</u> Email: <u>mtroth@smud.org</u>	Invoices: Attn: <u>Linda Colby</u> Phone: <u>(206) 386-3545</u> Facsimile: <u>(206) 386-4555</u> Email: <u>sclpoweraccounts@seattle.gov</u>
Payments: Attn: <u>Michael Troth</u> Phone: <u>(916) 732-6874</u> Facsimile: <u>(916) 732-5554</u> Email: <u>mtroth@smud.org</u>	Payments: Attn: <u>Linda Colby</u> Phone: <u>(206) 386-3545</u> Facsimile: <u>(206) 386-4555</u> Email: <u>sclpoweraccounts@seattle.gov</u>
Wire Transfer: BNK: <u>Bank of America</u> ABA: <u>0260-0959-3</u> ACCT: <u>01488-80182</u> Account Name: <u>SMUD</u> SWIFT CODE for incoming wires to SMUD: <u>BOFAUS3N</u>	Wire Transfer: BNK: <u>Wells Fargo Bank</u> ABA: <u>121000248</u> ACCT: <u>4758359921</u>
Credit and Collections: Attn: <u>Mark Oosterman</u> Phone: <u>(916) 732-5675</u> Facsimile: <u>(916) 732-5554</u> Email: <u>mooster@smud.org</u>	Credit and Collections: Attn: <u>Mike Yaley</u> Phone: <u>(206) 233-2756</u> Facsimile: <u>(206) 287-5120</u> Email: <u>mike.yaley@seattle.gov</u>
With additional Notices of an Event of Default, Termination or Potential Event of Default to: Attn: <u>Greg Schwarz</u> Phone: <u>(916) 732-6849</u> Facsimile: <u>(916) 732-6002</u> Email: <u>gschwar@smud.org</u>	With additional Notices of an Event of Default, Termination or Potential Event of Default to: Attn: <u>Doug Rough</u> Phone: <u>(206) 386-4516</u> Facsimile: <u>(206) 386-4555</u> Email: <u>doug.rough@seattle.gov</u>
With additional Notices of an Event of Termination to: Sierra Pacific Industries Attn: <u>Burlington Cogen Superintendent</u> Phone: <u>(360) 424-7619</u> Cell: <u>(360) 391-1499</u> Facsimile: <u>(360) 428-6834</u> Email: <u>pellery@spi-ind.com</u>	With additional Notices of an Event of Termination to: Sierra Pacific Industries Attn: <u>Director of Energy Resources & Environmental Affairs</u> Phone: <u>(530) 378-8179</u> Cell: <u>(530) 949-7611</u> Facsimile: <u>(530) 378-8139</u> Email: <u>bellery@spi-ind.com</u>
Contact Information Modification: Any modifications to the Contact Information shall be provided to the other Party in writing and shall be mailed, faxed or e-mailed to Contract Administration.	



**CONFIRMATION AGREEMENT FOR
RENEWABLE ENERGY SCHEDULING, DELIVERY, PURCHASE AND EXCHANGE**

between

Seattle City Light and the Sacramento Municipal Utility District

Effective Date: August 1, 2007

This Confirmation Agreement for Renewable Energy Scheduling, Delivery, Purchase and Exchange ("Confirmation" or "Agreement") constitutes the arrangement reached between The City of Seattle, a municipal corporation of the State of Washington, acting by and through its City Light Department ("SCL") and Sacramento Municipal Utility District ("SMUD") regarding the services provided by SCL for the output from the Burlington Project, an exchange of up to 15 MW whereby SMUD delivers energy to SCL at the SCL/Puget Interface and SCL delivers energy to SMUD at COB, and the delivery by SMUD of winter energy to SCL; and the purchase by SCL and sale by SMUD of power and Environmental Attributes from the Burlington Project in excess of 15 MW. This Confirmation is made in accordance with the WSPP, Inc. Agreement effective March 16, 2007 ("WSPP Agreement"). In the event of any conflict between the terms of the WSPP Agreement and this Confirmation, this Confirmation will govern.

The Parties agree that the withdrawal or expulsion of one or both Parties from the WSPP or the cessation of the existence or activities of the WSPP shall not affect the continued validity or enforceability of this Confirmation.

Recitals:

WHEREAS SMUD is purchasing the capacity, energy output and Environmental Attributes from the Burlington Project, a cogeneration biomass project in Skagit County, Washington, an Acceptable Renewable Resource; and

WHEREAS SMUD requires up to 15 MW of Burlington Net Project Energy, or an equivalent amount of energy from an Acceptable Renewable Resource, to be scheduled and delivered to COB; and

WHEREAS SMUD desires that SCL schedule the output from the Burlington Project and exchange up to 15 MW of Burlington Net Project Energy; and



WHEREAS SCL is willing to deliver up to 15 MW of energy to SMUD at COB in exchange for SMUD deliveries of the equivalent amount of energy to SCL at the SCL/Puget Interface (Transaction1); and

WHEREAS SCL is capable of and is amenable to scheduling the output from the Burlington Project (Transaction 1); and

WHEREAS SCL desires reliable capacity and energy in the winter months and SMUD is capable of providing such capacity and energy (Transaction 2); and

WHEREAS SCL desires to acquire any Burlington Net Project Energy and Environmental Attributes that are in excess of 15 MW and SMUD is capable of providing such energy and Environmental Attributes (Transaction 3);

NOW THEREFORE, in consideration of the mutual covenants and promises contained in this Confirmation, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:



TRANSACTIONS

1. Transaction 1 – SCL Provision of Scheduling Service to Owner of Burlington Project and Exchange of Energy between SCL and SMUD.

<p>1A. Product:</p>	<p>(1) SCL shall provide to Owner hourly scheduling service from the Burlington Project under WSPP Schedule B, unit commitment.</p> <p>(2) SMUD delivery to SCL System of the Transaction 1C Total Quantity under WSPP Schedule B, unit commitment capacity and associated energy from the Burlington Project. SCL shall take title of such energy at the Puget/SCL Interface.</p> <p>(3) SCL delivery to COB of the Transaction 1D COB Delivery Quantity under WSPP Schedule B, unit commitment capacity and associated energy from the Burlington Project, from the point it is delivered to SCL's System by SMUD as a Purchasing Selling Entity (as defined by NERC). Alternatively, SCL may deliver to SMUD at COB the Transaction 1D COB Delivery Quantity from (i) other Acceptable Renewable Resource(s), or (ii) a combination of the Burlington Project and other Acceptable Renewable Resource(s), provided that such other Acceptable Renewable Resource(s) provides WSPP Schedule B Unit Commitment capacity and associated energy. SMUD shall take title of such energy at COB North to South.</p> <p>In hours in which SCL uses an Acceptable Renewable Resource other than the Burlington Project to make deliveries hereunder, SCL shall supplement such deliveries with deliveries from the Burlington Project to the extent necessary to deliver to SMUD the transaction 1D COB Delivery Quantity, unless precluded by an Uncontrollable Force, unavailability of transmission, or Forced Outage of the Burlington Project.</p>
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1B. Term:	This term shall have the meaning given to it in Exhibit A, Special Provisions, Section 2, Term; Termination.
1C. Total Quantity:	SMUD shall deliver and SCL shall receive the amount of the entire Burlington Net Project Energy scheduled in whole MWh as delivered at the Puget/SCL Interface not to exceed a delivery rate of 23 MW.
1D. COB Delivery Quantity:	An amount of power in each hour of the Term equal to the lesser of 15 MWh or the Transaction 1C Total Quantity.
1E. Delivery Hours:	Hours ending 0100 through 2400, Mondays through Sundays, including NERC holidays, throughout the Transaction 1B Term.
1F. Delivery Points:	(1) SMUD Delivery Point to SCL - Puget/SCL Interface (or other points as mutually agreed). (2) SCL Delivery Point to SMUD - COB North to South (or other points as mutually agreed).
1G. Price:	Except as otherwise stated herein, neither Party shall be required to make any monetary payment or return any losses to the other Party for services or deliveries received in Transaction 1.

<p>1H. Scheduling:</p>	<p>(1) <u>SCL Scheduling Service Provided to Owner</u>. SCL shall, for deliveries throughout the Term, and for no additional consideration from the Owner, perform scheduling of the Burlington Project output for the Owner from the Burlington Project up to the Transaction 1C Total Quantity pursuant to relevant Puget, WECC, NAESB and NERC requirements, including electronic creation, acceptance and verification of Tags associated with the delivery of power from the Burlington Project. SCL shall be responsible for coordinating and communicating with the Owner as necessary to perform this function. SMUD shall instruct the Owner under the Burlington Project PPA to coordinate and communicate with SCL as necessary for SCL to perform this function, and SMUD shall encourage the Owner to reach agreement with SCL on mutually agreeable timelines and procedures, but consequences of any scheduling problems between SCL and Owner shall be resolved between only those two parties.</p> <p>(2) <u>Scheduling Provisions</u>. (i) All deliveries pursuant to Transaction 1 shall be prescheduled in accordance with NERC, NAESB, WECC, and applicable third party transmission system operator scheduling guidelines as amended from time to time.</p> <p>(ii) To the extent not prevented by an Uncontrollable Force or curtailment of firm transmission, schedules to COB North to South (with the exception of Make-Up Schedules as further described in Exhibit A, Special Provisions, Section 6, Mark-Up Deliveries) shall be prescheduled in amounts that are equal to the Transaction 1D COB Delivery Quantity as derived from SMUD's notice which SMUD shall provide (or cause to be provided) to SCL no later than 5:30 AM PPT on the applicable WECC prescheduling day. To the extent that after SCL has submitted the preschedule on the prescheduling day (as established by WECC) it becomes known that the amounts prescheduled for delivery to COB North to South exceed the expected</p>
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**1H.
Scheduling
(continued)**

simultaneous schedules to the Puget/SCL Interface, then SCL shall have the right to correspondingly reduce such schedules (on a real-time scheduling basis) to COB North to South, or may elect to maintain delivery of prescheduled amounts by delivering power from an Acceptable Renewable Resource. If SCL elects to maintain delivery of prescheduled amounts by delivering from an Acceptable Renewable Resource, the amount delivered shall be offset against the Mismatch Account, as provided for in Exhibit A, Special Provisions, Section 6, Make-Up Deliveries. All schedules delivered to COB North to South shall have a Tag listing as the source either (a) the applicable Acceptable Renewable Resource that is registered with the NERC Transmission Services Information Network as a unique source, or (b) the balancing authority in which the applicable Acceptable Renewable Resource is located. Notwithstanding the foregoing, to the extent that SCL utilizes the Burlington Project to deliver energy to SMUD then the source may be the SCL balancing authority if such source is used in conjunction with the two-tag system that follows:

The first Tag ("Etag#1") is associated with deliveries to the Puget/SCL Interface and sourced from the Burlington Project in Puget's balancing authority with the sink in SCL's system. Etag#1 shall indicate that SCL takes delivery from SMUD at the Puget/SCL Interface. The second Tag ("Etag#2") is associated with deliveries to COB North to South and sourced from the SCL balancing authority with the sink in SMUD's system. Etag#2 shall indicate that SMUD takes delivery from SCL at COB North to South.

The above two Tag procedure may be modified at any time by mutual agreement by the Parties.

(iii) All Tags for delivery to SMUD shall list the California Energy Commission Eligible Renewable Energy Resource certification or precertification identification code of the Acceptable Renewable Resource in the appropriate field as provided by SMUD for the



**1H.
Scheduling
(continued)**

Burlington Project or by SCL for any other Acceptable Renewable Resource. In the comment field, or any other location as designated by the California Energy Commission, the words "corresponding MWh for" shall precede the applicable certification or pre-certification number.

(iv) SCL shall submit a schedule via email or other electronic means to SMUD's preschedule contact in advance of 5:35 AM PPT or an alternative time as mutually agreed and submit a Tag each preschedule Day showing whole MW to be delivered to SMUD for each hour of the delivery day.

(v) Either Party may make delivery day changes to the preschedule quantities to the extent caused by a Forced Outage, transmission curtailment, or Uncontrollable Force.

(vi) On any day SCL shall not utilize more than three (3) different Acceptable Renewable Resources for deliveries to SMUD hereunder unless otherwise mutually agreed.

(vii) Except as mutually agreed, if the Burlington Project or the Acceptable Renewable Resource experiences any Forced Outage of duration greater than one day, resumption of the amount of interrupted deliveries shall begin with the next delivery day for which prescheduling can reasonably be accomplished within the deadlines established by WECC, NAESB or NERC.



11.
Availability
Notification:

(1) Burlington Project Contingency. SMUD is responsible for notifying SCL when a Forced Outage, Uncontrollable Force or transmission curtailment affecting the Burlington Project occurs and when the Burlington Project recovers from such contingency. Notice is deemed given by SMUD if given by Owner or by Puget to SCL. SCL shall then issue a Tag adjustment request (if Puget has not already done so) within the time period defined in the NERC/NAESB timing tables. SMUD shall assist SCL in doing the tag adjustments if SCL is unable to do so due to technical difficulties. SCL shall not issue an adjustment request with a schedule change start date/time that is earlier than the adjustment request submittal date/time unless mutually agreed.

(2) SCL Contingency Notification. SCL shall notify SMUD and initiate Tag changes in the event an Uncontrollable Force or transmission curtailment affects deliveries to SCL at the Puget/SCL Interface or affects deliveries to COB North to South under this Confirmation.

(3) SCL may submit Tag downward adjustments or reliability curtailments on Transaction 1 schedules from SCL to SMUD at COB North to South in parallel with adjustments to schedules from SMUD (as Purchasing Selling Entity) to SCL delivery at the Puget/SCL Interface. If SMUD fails to approve a NERC, NAESB and WECC valid and compliant adjustment request within the Tag assessment period as defined in the NERC/NAESB timing tables then SMUD shall pay to SCL a reserve charge in the amount of \$7.39/MWh multiplied by the size in MW of the adjustment that was not approved multiplied by twenty four hours, but in no case shall any party violate the guidelines listed in Transaction 1H(2)(i).

If SCL fails to approve such valid adjustment requests, then SCL shall assess no fees associated with the transaction.

If intermediary reliability entities that are party to the Tag fail to approve such valid adjustment request, then neither SMUD nor SCL shall assess reserve charges.



<p>11. Availability Notificaton: (continued)</p>	<p>(4) To the extent that the Acceptable Renewable Resource is capable of an upward adjustment and deliveries at COB North to South are less than the prescheduled deliveries at COB North to South, SCL shall submit Tag upward adjustments or reliability reloads on Transaction 1 schedules from SCL to SMUD at COB North to South in parallel with upward adjustments to Transaction 1 schedules from SMUD at the Puget/SCL Interface but in no case shall the deliveries at COB North to South exceed the preschedule amount. SCL must submit such upward adjustment request no later than 20 minutes before the affected delivery hour, provided that SCL has received notice of such change by no later than 25 minutes before the affected delivery hour. If SCL fails to make such parallel adjustments or approve such valid adjustment requests then SCL shall pay to SMUD a reserve charge in the amount of \$7.39/MWh multiplied by the size in MW of the adjustment that was not made or approved multiplied by twenty four hours, but in no case shall any party violate the guidelines listed in Transaction 1H(2)(i).</p> <p>If SMUD fails to approve such valid adjustment requests, then SMUD will assess no fees associated with the transaction.</p> <p>If intermediary reliability entities that are party to the Tag fail to approve such valid adjustment requests, then neither SMUD nor SCL shall assess reserve charges.</p>
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<p>1J. Reduction of Deliveries at COB:</p>	<p>To the extent that (1) schedules at COB are reduced due to Forced Outage, Uncontrollable Force or curtailment of firm transmission and such event prevents the full Transaction 1D COB Delivery Quantity from being delivered at COB North to South, or (2) to the extent SCL utilizes an Acceptable Renewable Resource and such resource produces less energy in any hour than the amount of the Transaction 1D COB Delivery Quantity delivered to SCL in such hour, provided that SCL has supplemented such deliveries to the extent possible utilizing the Burlington Project, then SCL shall be relieved in such hour of its obligation to deliver, and SMUD shall be relieved of its obligation to receive the full Transaction 1D COB Delivery Quantity. In such case SCL shall nonetheless make good faith efforts to maximize the deliveries to SMUD at COB North to South from the applicable Acceptable Renewable Resource and shall be obligated to deliver make-up energy ("Make-Up Schedules") as described in Exhibit A Special Provisions Section 6 'Make-Up Deliveries'. Notwithstanding the foregoing, SMUD shall remain obligated to deliver and SCL shall remain obligated to receive Burlington Net Project Energy at the Puget/SCL Interface.</p>
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<p>1K. Firm Transmission:</p>	<p>Unless otherwise agreed, SCL shall reserve or otherwise ensure that delivery of the Transaction 1D COB Delivery Quantity is made utilizing firm transmission from the SCL System to COB North to South, or if an Acceptable Renewable Resource located outside of the SCL System is used, then utilizing a firm transmission path from such resource to COB North to South. Firm transmission means transmission that is sold as firm by the transmission provider for the full duration of the delivery from the proposed source. To the extent that transmission changes must be made after the preschedule has been established, due to the need for SCL to supplement deliveries from one Acceptable Renewable Resource with deliveries from another Acceptable Renewable Resource pursuant to Transaction 1J, then SCL shall make such supplemental deliveries using the best available transmission.</p>
<p>1L. Environmental Attributes:</p>	<p>Under Transaction 1, no Environmental Attributes are exchanged except as provided in Appendix A, Special Provisions, Section 10(b) Environmental Attribute Exchange.</p>



2. Transaction 2 – SMUD Winter Firm Deliveries to SCL.

<p>2A. Product:</p>	<p>WSPP Schedule C Energy (with no Environmental Attributes delivered).</p>
<p>2B. Term:</p>	<p>This term shall have the meaning given to it in the Special Provisions Section 2, Term; Termination.</p>
<p>2C. Quantity:</p>	<p>In the first Contract Year: 17,700 MWh, split evenly among the months of December, January and February (5,900 MWh in each of the three months).</p> <p>In subsequent Contract Years: the Winter Delivery Quantity calculated pursuant to the Exhibit C True-Up Formula, split evenly among the months of December, January and February of such Contract Year.</p> <p>Beginning with the second Contract Year, on the Business Day closest to November 12th (on or before the 12th) just prior to the applicable December through February delivery period, SMUD shall give notice (including details of its calculation) of the Winter Delivery Quantity by e-mail to the SCL preschedule contact ("Winter Quantity Notice").</p>



<p>2D. Delivery Rate:</p>	<p>In the first Contract Year: 25 MW.</p> <p>In subsequent Contract Years:</p> <p>25 MW if the Dec-Feb Super-Peak COB Power Price is \$40/MWh or greater;</p> <p>50 MW if the Dec-Feb Super-Peak COB Power Price is \$30/MWh or greater but less than \$40/MWh;</p> <p>75 MW if the Dec-Feb Super-Peak COB Power Price is \$20/MWh or greater but less than \$30/MWh;</p> <p>100 MW if the Dec-Feb Super-Peak COB Power Price is less than \$20/MWh.</p>
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<p>2E. Delivery Hours:</p>	<p>At SCL's discretion any of hours ending 0700 through 2200, Mondays through Saturdays, excluding NERC holidays, during the months of December, January and February of the Term, subject to the following restrictions:</p> <p>Transaction 2 schedules shall be for a minimum of four consecutive Delivery Hours and shall not exceed in total for any calendar month the monthly Transaction 2C Quantity. In the event that the Transaction 2C Quantity for a given month when divided by the Transaction 2D Delivery Rate results in a fractional number of Transaction 2E Delivery Hours the fractional part shall either be rounded up to a whole hour, or rounded down to zero, based on the rounding convention that calls for a fraction less than 0.5 to be rounded to zero and a fraction greater than or equal to 0.5 to be rounded up.</p> <p>The hours of delivery shall be the same hours on each on-peak delivery day for each applicable December through February period to the extent possible given the Delivery Rate and the Transaction 2C Quantity.</p> <p>SCL shall provide SMUD written notice of its selected delivery hours for the months of December, January, and February no later than five (5) business days after SMUD's Winter Quantity Notice except that SCL may move up to 25 hours of deliveries to unscheduled On-Peak Hours of December, January and February of the same Contract Year from subsequent days and hours that were previously selected, with notice given by e-mail (to the SMUD preschedule contact) no later than 5:30 AM Pacific Prevailing Time or other mutually agreed upon time three (3) days before the first applicable WECC prescheduling day, provided delivery in any hour does not exceed the Section 2D Delivery Rate.</p>
<p>2F. Delivery Points:</p>	<p>COB (south to north or North to South), Mid-C or the SCL System at SMUD's election.</p>



<p>2G. Price:</p>	<p>Except as otherwise stated herein, SCL shall not be required to make any monetary payment for the energy delivered in Transaction 2.</p>
<p>2H. Firm Transmission:</p>	<p>SMUD shall reserve or otherwise ensure that the Transaction 2C Quantity deliveries are made utilizing firm transmission from the SMUD balancing authority to COB, except to the extent SMUD delivers at Mid-C, the SCL System or to COB from other sources.</p>
<p>2J. Make-up for Curtailed Deliveries:</p>	<p>To the extent that an Uncontrollable Force or a transmission curtailment for which SCL has complied with Exhibit A, Special Provisions, Section 7, Priority in Transmission Curtailment, causes a curtailment of Transaction 2 schedules in any Delivery Hour, then such curtailed energy deliveries shall be delivered in the future as follows:</p> <p>If feasible without exceeding the Transaction 2D Delivery Rate in any Transaction 2E Delivery Hour and considering the remaining Transaction 2 monthly energy (MWh) (which must also be scheduled in such month), SCL shall preschedule delivery of such curtailed energy during the remaining On-Peak Hours of the same calendar month in which the curtailment occurred. If it is not feasible to preschedule the curtailed energy in the same calendar month as the curtailment, then SCL shall preschedule such energy in On-Peak Hours, during the first calendar month(s) in which it is feasible without exceeding the Transaction 2D Delivery Rate in any delivery hour (considering the remaining Transaction 2 monthly energy (MWh) to be scheduled). In the final Contract Year of the Term, such curtailed energy may be prescheduled in any remaining hours of the Term to the extent that it is not feasible to preschedule such energy in On-Peak Hours of December, January and February without exceeding the Transaction 2D Delivery Rate.</p>



3. Transaction 3 – SMUD Sale of Energy and Environmental Attributes to SCL.

<p>3A. Product:</p>	<p>SCL purchase from SMUD of any Burlington Net Project Energy under WSPP Schedule B, unit commitment including the associated Environmental Attributes in excess of 15 MW under the terms listed in this Transaction 3.</p>
<p>3B. Term:</p>	<p>This term shall have the meaning given to it in Exhibit A, Special Provisions, Section 2, Term; Termination.</p>
<p>3C. Delivery Quantity:</p>	<p>In each hour of the Term, the Transaction 1C Total Quantity less the Transaction 1D COB Delivery Quantity.</p>
<p>3D. Delivery Point:</p>	<p>The Transaction 3D Delivery Point shall be the Puget/SCL Interface.</p>
<p>3E. Price:</p>	<p>SCL shall pay SMUD \$62/MWh, escalated by 1.75% (percent) on January 1 of each year of the Term applied to the actual amount of Transaction 3C Delivery Quantity delivered.</p>
<p>3F. Environmental Attributes:</p>	<p>SMUD shall deliver to SCL Environmental Attributes in the form of an Exhibit B REC Attestation and Bill of Sale reflecting the total monthly MWhs actually delivered to SCL pursuant to this Transaction 3 at the time of monthly billing as further described in Exhibit A, Special Provisions, Section 10, Environmental Attributes.</p>



Each Party shall confirm that the terms stated in this Confirmation accurately reflect the agreement between SMUD and SCL by returning an executed copy of this Confirmation by fax to SMUD at (916) 732-6002 and by fax to SCL (206) 386-4555.

ACKNOWLEDGED AND AGREED TO:

Seattle City Light

Sacramento Municipal Utility District

By: _____

By: _____

Name: Jorge Carrasco

Name: _____

Title: Superintendent

Title: _____

Date: July 27, 2007

Date: _____



Exhibit "A"

Special Provisions Amending the WSPP Agreement

Attached to and forming a part of the Confirmation with an Effective Date of August 1, 2007 between SCL and SMUD.

1. Definitions

Capitalized terms used but not otherwise defined herein have the meanings set forth in the WSPP Agreement, except that references in the WSPP Agreement to "this Agreement" shall be deemed to mean the WSPP Agreement as modified by these Special Provisions. The following terms shall have the meanings specified below for purposes of the WSPP Agreement, these Special Provisions, and any Confirmation Agreement hereunder:

Acceptable Renewable Resource. This term shall mean an Eligible Renewable Energy Resource (or designated portion thereof): (a) that qualifies for the California Renewable Portfolio Standard for investor owned utilities as defined by the California Energy Commission's Renewable Portfolio Standard Eligibility Guidebook or any successor guidelines, taking into account the tagging and other delivery provisions; (b) can reasonably be expected when combined with any other Acceptable Renewable Resource used for deliveries to SMUD hereunder, to have a delivered capacity factor measured at COB North to South (based on no less than 30 days of data) equal to or greater than that for the Transaction 1D COB Delivery Quantity making allowances for reduced deliveries due to curtailments of firm transmission on the COI, and to only rarely require reductions in the deliveries once prescheduled; (c) for which SCL has obtained and continues to maintain either California Energy Commission certification or precertification (whichever is applicable), as an Eligible Renewable Energy Resource; (d) for which SCL agrees to provide SMUD reasonable advance notice of planned maintenance and overhaul outages; and (e) which meets with SMUD's written approval and which approval SMUD shall not unreasonably deny, however approval may be withdrawn by SMUD in writing on a prospective basis with 10 days notice if the resource subsequently fails to meet any of the criteria set forth in this definition. The Burlington Project shall be an Acceptable Renewable Resource without SCL performing any of the specified requirements.

Annual Transmission Cost. This term shall mean BPAT Demand Charges plus the product of the BPAT Losses Rate, the Annual Mid-C Price and the Annual MWh.



Annual Mid-C Price. The hours weighted average of all Dow Jones Daily Firm Mid-C Electricity Indices for the most recent historical November through October period, as determined in November for purposes of calculating the Winter Delivery Quantity.

Annual MWh. The total MWh delivered to SMUD at COB North to South by SCL during the most recent historical November through October period, including Make-Up Schedules but excluding any other MWh delivered at a rate above 15 MW, as determined in November for purposes of calculating the Winter Delivery Quantity.

Bankrupt. This term means the Defaulting Party or any Guarantor of such Party:

- (a) Is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) Becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) Makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) Institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditor's rights, or a petition is presented for its winding-up or liquidation;
- (e) Has a resolution passed for its winding-up, liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) (A) Seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or substantially all its assets, or (B) in the case of a municipal utility, there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to oversee or declare a financial emergency or similar state of financial distress with respect to it;
- (g) Has a secured party take possession of all or substantially all of its assets, or has a distress, execution, attachment, sequestration or other legal process is levied, enforced or sued on or against all or substantially all its assets;
- (h) Causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses one to seven inclusive.

BPAT. Bonneville Power Administration, Transmission Services.

BPAT Demand Charges. This term shall mean the sum of the following BPAT charges expressed in \$/kW-month:

- (a) BPAT Southern Intertie Demand Charge,
- (b) the BPAT PTP Demand Charge,
- (d) two times the BPAT Scheduling Charge,
- (e) two times the BPAT Reactive Charge

All multiplied by 12 months

All multiplied by 15,000 kW.

These Charges will be those published by BPAT effective at the time the calculation is made.

BPAT Losses Rate. The rate for the BPAT system losses expressed in percentage terms.

Burlington Net Project Energy. This term shall mean the real electrical energy produced by the Burlington Project less any transmission losses experienced in getting the energy to the SCL system and net of any on-site loads.

Burlington Project. This term shall mean the 28 net MW biomass cogeneration facility located in Fredonia Industrial Park in Skagit County, Washington, owned by the Owner. The Burlington Project meets the definition of an Acceptable Renewable Resource without SCL performing the requirements stated in the definition of Acceptable Renewable Resource.

Burlington Project PPA. This term shall mean the power purchase agreement proposed between the Owner and SMUD whereby SMUD has agreed to purchase and the Owner has agreed to sell certain energy generated by the Burlington Project.

COB. California-Oregon Border.

Contract Year. This term shall mean any one-year period during the Term of a transaction beginning on August 1 of a particular year and ending on July 31 of the subsequent year.

Credit Assurance. This term means a cash pre-payment, a Letter Of Credit, a Guarantee Agreement, Treasury securities, a performance bond, a surety bond and/or other security, all in a form and in an amount acceptable to the Requesting Party acting in a commercially reasonable manner.

Costs. This term means, with respect to the Non-Defaulting Party, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys' fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction.

Dec-Feb On-Peak COB Power Price. This term shall mean the delivery hours weighted average of bid and offer prices for delivery of firm On-Peak energy at COB North to South for the nearest upcoming months of December, January and February as published for the business day closest to November 9th (on or before the November 9th) just prior to the applicable December through February delivery period obtained by SMUD from a broker active in the COB power market. SMUD shall obtain approval from SCL on which broker to use, or use the average of three different brokers active in the COB market.

Dec-Feb Super-Peak COB Power Price. This term shall mean 1.16 multiplied by the Dec-Feb On-Peak COB Power Price.

Early Termination Date. This term has the meaning set forth in Section 11.

Eligible Renewable Energy Resource. This term shall have the meaning given to it in California Public Utilities Code Section 399.12 as may be amended from time to time.

Environmental Attributes. This term shall mean any and all credits, benefits, emissions reductions, environmental air quality credits, offsets, and allowances, howsoever entitled, directly attributable to the generation from the project and its displacement of conventional energy generation. Environmental Attributes include but are not limited to: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO₂), methane (CH₄) and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights to these avoided emissions such as green tag reporting rights. Green tags are accumulated on kWh basis and one green tag represents the Environmental

Attributes associated with one (1) MWh of energy. Environmental Attributes do not include (1) any energy, capacity, reliability or other power attributes from the project, (2) production tax credits associated with the construction or operation of the project and other financial incentives in the form of credits, reductions, or allowances associated with the project that are applicable to a state or federal income taxation obligation, (3) fuel-related subsidies or "tipping fees" that may be paid to the Party delivering such Environmental Attributes ("REC Delivering Party") to accept certain fuels, or local subsidies received by the generator for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits, or (4) emission reduction credits encumbered, used or created by the project for compliance with or sale under local, state, or federal operating and/or air quality permits or programs. If the REC Delivering Party receives any such tradable Environmental Attributes based on the greenhouse gas reduction benefits attributed to its fuel usage for an Acceptable Renewable Resource under this Confirmation, it shall provide the other Party with sufficient Environmental Attributes to ensure that there are zero net emissions associated with the applicable production of electricity from such facility. The term Environmental Attributes includes any other environmental credits or benefits recognized in the future and attributable to the energy generated by the applicable Acceptable Renewable Resource during the Term, unless otherwise excluded herein.

Forced Outage. This term shall mean any outage or reduction in the capacity of an Acceptable Renewable Resource that is not a Planned Outage and is severe enough to affect the quantity of deliveries under the applicable transaction and which could not have been avoided by the exercise of prudent utility practice.

Guarantor. This term means, as to a Party (the "first Party"), the person(s), if any, executing a Guarantee Agreement which supports any or all of the obligations of the first Party to the other Party.

Hourly COB Index. This term shall mean, for any particular hour, the applicable Dow Jones COB Hourly Electricity Price Index for such hour.

Letter(s) of Credit. This term means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating of at least A- from S&P or A3 from Moody's, in a form acceptable to the Party in whose favor the letter of credit is issued. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.

Make-Up Schedules. This term shall have the meaning given to it in Transaction 1J.

Mid-C (Mid-Columbia). This term shall mean points at any of the switchyards associated with the following four hydro projects: Rocky Reach, Rock Island, Wanapum, and Priest Rapids. These switchyards include Rocky Reach, Rock Island, Wanapum, McKenzie, Valhalla, Columbia, Midway and Vantage. Mid-C shall also include points in the "Northwest Hub," as defined by the Bonneville Power Administration.

Mismatch Account. This term shall have the meaning given to it in Exhibit A, Special Provisions Section 6 Make-Up Deliveries.

On-Peak Hour. This term shall mean any one of the hours ending 0700 - 2200 (6 am to 10 pm) Pacific Time at Mid-C, for Monday through Saturday excluding NERC holidays.

Opportunity Cost Adder. This term shall mean for any Contract Year (except the first Contract Year) the result of the following calculation: \$3.7617/MWh multiplied by the Annual MWh, which calculation is further detailed in Exhibit C.

Owner. This term shall mean Sierra-Pacific Industries, the owner of the Burlington Project and the lumber manufacturing facility located in Fredonia Industrial Park in Skagit County, Washington, and any successor in title.

Parties. This term shall mean SMUD and SCL collectively.

Party. This term shall mean SMUD or SCL individually.

Puget. This term shall mean Puget Sound Energy, Inc or any successor that owns and operates the electric transmission system that interconnects with the Burlington Project.

Related Agreement. This term means any collateral, security, guaranty or other similar credit agreement or document undertaken in connection with the WSP Agreement, the Confirmation and the Transactions.

Remaining Term. This term shall have the meaning given to it in Exhibit A, Special Provisions, Section 2(b)(ii).

Renewable Energy Credit (REC). This term means a certificate of proof that one unit of electricity was generated by a renewable energy resource. The REC shall represent all renewable and Environmental Attributes associated with electricity production by a renewable energy resource. RECs are accumulated on a kWh basis and one REC represents the Environmental Attributes made



available by the generation of 1,000 kWh from the Unit. For purposes of this Confirmation, the term REC shall be synonymous with the term green tag, green ticket, tradable renewable certificates, Western Renewable Energy Generation Information System (WREGIS) certificate or any other term used to describe the documentation that evidences the renewable and Environmental Attributes associated with electricity production by a renewable energy resource.

Settlement Risk Limit. This term means the credit risk line available to a Party, from time to time, for the purpose of controlling the risk that upon making a delivery a Party does not receive from the other Party the corresponding deliveries, reduction of the balance of the Mismatch Account and/or any monetary payment obligation. With respect to the above, "credit risk line available to a Party means" an amount determined based on the following table:

S&P Credit Rating of Party	Credit Risk Line
AA- or above	\$40,000,000
A+	\$30,000,000
A	\$20,000,000
A-	\$10,000,000
BBB+	\$1,000,000
BBB or below	\$0 (zero)

SCL System. This term shall mean the electrical grid controlled by SCL or the point of interconnection of SCL's grid and Puget or BPAT.

Specified Agreement. This term means any contract or transaction, including an agreement with respect thereto (whether or not documented under or effected pursuant to a master agreement) now existing or hereafter entered into between one Party (or any Guarantor of such Party or any Affiliate of such Party) and the other Party (or any Guarantor of such Party or any Affiliate of such Party).

Specified Indebtedness. This term means any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

Tag. This term shall mean a tag that meets the requirements of both an e-Tag and a NERC tag.



Terminated Transaction. This term has the meaning set forth in Section 22.2 of the WSPP Agreement.

Termination Notice. This term has the meaning set forth in Exhibit A, Special Provisions, Section 2(b)(ii).

Transaction. means these Transactions 1 – 3 and these Special Provisions, incorporated as Exhibit "A" and the REC Attestation and the Bill of Sale incorporated as Exhibit "B" and the True-Up Formula incorporated as Exhibit "C" to the Confirmation between the Parties effective August 1, 2007 and the Confirmation itself.

True-Up Formula. This term shall mean the formula shown in Exhibit C.

WECC. This term shall mean the Western Electricity Coordinating Council or any successor organization.

Winter Delivery Quantity. This term shall mean for any Contract Year (except the first Contract Year) the result of the following calculation: (a) the sum of the Annual Transmission Cost and the Opportunity Cost Adder, divided by (b) the Dec-Feb Super-Peak COB Power Price, which calculation is further detailed in Exhibit C.

Winter Quantity Notice. This term shall have the meaning given to it in Transaction 2C Quantity.

2. **Term; Termination**

(a) Term. This Confirmation shall be effective on the later of August 1, 2007 or the date that all of the Conditions Precedent set forth in Section 3(a) are met. This Confirmation shall terminate at 24:00 hours on January 31, 2009 unless extended pursuant to Section 3(b), below, or terminated earlier in accordance with this Confirmation.

(b) Termination by SCL.

(i) Low Burlington Project Output.

SCL shall be entitled to terminate this Confirmation (which shall terminate all three of Transactions 1, 2 and 3 concurrently) with 60 days advance notice in writing if the Burlington Net Project Energy delivered to the Puget/SCL Interface fails to average at least 12 average megawatts per year for any 2 consecutive years, unless such failure would not have occurred but for an event of Uncontrollable Force.

(ii) Northwest Preference Customer or Inability to Reserve Transmission.

In the event that either:

(A) SCL (despite reasonable efforts to prevent such) finds that a change to applicable law, regulations, or 3rd party business practices prevents it from reliably reserving use of its transmission rights to deliver to SMUD as required hereunder, or

(B) Applicable authorities determine that SCL cannot continue to deliver power to SMUD under this Confirmation without violating Sections 5(b) and 9(c) of the Pacific Northwest Electric Power Planning and Conservation Act ("Northwest Power Act"), or any law or regulation that succeeds Sections 5(b) and 9(c) of such Act, or any policy or clarification regarding such Act issued by an applicable authority with regard to the disposition of energy in the Pacific Northwest by a Bonneville Power Administration customer,

then SCL shall immediately give Owner and SMUD written notice of termination ("Termination Notice").

- (aa) Negotiation Period. Upon issuance of such Termination Notice, the Parties shall immediately enter into good faith negotiations with the aim of amending the Confirmation in a manner that addresses the conditions that triggered the issuance of the Termination Notice, gives effect to the original intention of the Parties, maintains the balance of the equities of the transaction contemplated by this Agreement in all material respects and without causing either party to incur additional burdens. If upon 60 days after SMUD's receipt of the Termination Notice the Parties have not agreed to an amendment that satisfies both Parties, Transactions 1, 2 and 3 shall then terminate, unless this negotiation period is extended by mutual agreement of the Parties. If the Parties successfully negotiate an amendment to this Confirmation within the negotiation period, then SCL shall have no further right to terminate pursuant to this Exhibit A, Special Provisions, Section 2(b)(ii) with regard to the particular occurrence of concerns giving rise to the applicable Termination Notice, unless the Parties agree in writing to waive this provision.
- (bb) SCL Obligation to Purchase Power for Interim Period. If, prior to the effective date of such termination, SMUD notifies SCL in writing that it has not sold the entire Transaction 1C Total Quantity to a third party at terms, price and conditions acceptable to SMUD for the remainder of the Term, then SCL shall purchase from SMUD the entire Transaction 1C Total Quantity and the associated Environmental Attributes at the Puget/SCL Interface, for 60 days immediately subsequent to such termination ("Interim Period") at the then current market price for similar renewable power (with similar terms and conditions) and associated Environmental Attributes.
- (cc) SCL Obligation to Purchase Power for Remainder of Term. If upon expiration of the Interim Period SMUD has not given notice to SCL in writing that it intends to waive its right to sell the entire Transaction 1C Total Quantity and the associated Environmental Attributes to SCL, then

SCL shall purchase from SMUD the entire Transaction 1C Total Quantity and the associated Environmental Attributes at the Puget/SCL Interface for the remaining Term that was in effect prior to such termination ("Remaining Term"), at the then current market price for similar renewable power (with similar terms and conditions, as agreed by the Parties) and associated Environmental Attributes.

- (iii) In the case of termination under Exhibit A, Special Provisions, Section 2(b)(ii), SCL shall offer to sell to Owner the following services (each separately): 1) scheduling services per WECC standards at the greater of \$2.00/MWh or the prevailing BPAT rate; and 2) operating reserves per WECC and BPAT standards at the greater of \$7.39/MWh or the prevailing BPAT rate. Owner may, in Owner's sole discretion, accept either, both or none of these services. Unless otherwise agreed by SCL and Owner, SCL shall be obligated to offer to provide the foregoing services from the effective date of termination through (A) January 31, 2009, in the event that this Confirmation was not extended pursuant to Section 3(b) prior to its termination, or (B) July 31, 2017, in the event that this Confirmation was extended pursuant to Section 3(b) prior to its termination.
- (iv) In the event that SCL terminates this Confirmation under Section 2(b)(i) or 2(b)(ii) herein, SCL shall compensate SMUD for the value of any wheeling that SCL will no longer provide under Transaction 1 due to such termination, but that SCL owes to SMUD in return for the exchange power SMUD supplied SCL during the prior winter period under Transaction 2. Likewise, SMUD shall compensate SCL for any wheeling that SCL provided SMUD under Transaction 1 but for which SCL has not received compensation in the form of Transaction 2 deliveries.
 - (aa) Calculation of Compensation. For purposes of determining such compensation, the value of one year's worth of Transaction 1 delivery service is equal to the value of three months of Transaction 2 deliveries and both are derived (each separately) under this Confirmation by calculating the sum of the Annual Transmission Cost and the Opportunity Cost Adder. One third of the Transaction 1 value will be assigned to the first six months of the Contract Year, and divided equally among those



six months, and two thirds to the second half of the Contract Year, and divided equally among those six months. One-third of the Transaction 2 value shall be assigned to each of the three Transaction 2 delivery months. Using these monthly values, either SCL shall pay to SMUD or SMUD shall pay to SCL the appropriate net amount accounting for Transaction 1 and Transaction 2 deliveries that have already been made in that Contract Year, if any, prior to such termination.

(c) Termination by SMUD.

(i) SMUD shall be entitled to terminate the Confirmation (which shall terminate all three of Transactions 1, 2 and 3 concurrently) by giving SCL at least 60 days notice of termination in writing if:

- (1) The Owner is in material default of the Burlington Project PPA, or a SMUD termination right under the Burlington Project PPA has otherwise been triggered, and SMUD has given the Owner notice of termination of the Burlington Project PPA;
- (2) The renewable energy or RECs produced by the Burlington Project do not meet California regulatory requirements such that SMUD determines in good faith that it may not use the energy or the RECs to meet its renewable portfolio standard goals. In such event, the Parties shall be obligated to negotiate in good faith for no less than thirty (30) days to attempt to negotiate commercially reasonable amendments that are satisfactory to both parties.

(ii) Termination for Inability to Reserve Transmission.

In the event that SMUD (despite reasonable efforts to prevent such) finds that a change to applicable law, regulations, or 3rd party business practices prevents it from reliably reserving use of its transmission rights to deliver to SCL as required hereunder, then the Parties shall immediately enter into good faith negotiations to determine if mutually satisfactory replacement arrangements can be made. If after 30 days of such negotiations the Parties fail to agree on such



a provision then SMUD shall have the right to terminate all of Transactions 1, 2, and 3 with 30 days written notice.

(iii) In the event that SMUD terminates this Confirmation under Section 2(c)(i) or 2(c)(ii) herein, SCL shall compensate SMUD for the value of any wheeling that SCL will no longer provide under Transaction 1 due to such termination, but that SCL owes to SMUD in return for the exchange power SMUD supplied SCL during the prior winter period under Transaction 2. Likewise, SMUD shall compensate SCL for any wheeling SCL has provided SMUD under Transaction 1 but for which SCL has not received compensation in the form of Transaction 2 deliveries.

(aa) Calculation of Compensation. For purposes of determining such compensation, the value of one year's worth of Transaction 1 delivery service is equal to the value of three months of Transaction 2 deliveries and both are derived (each separately) under this Confirmation by calculating the sum of the Annual Transmission Cost and the Opportunity Cost Adder. One third of the Transaction 1 value will be assigned to the first six months of the Contract Year, and divided equally among those six months, and two thirds to the second half of the Contract Year, and divided equally among those six months. One-third of the Transaction 2 value shall be assigned to each of the three Transaction 2 delivery months. Using these monthly values, either SCL shall pay to SMUD or SMUD shall pay to SCL the appropriate net amount accounting for Transaction 1 and Transaction 2 deliveries that have already been made in that Contract Year, if any, prior to such termination.

(d) Effect of Termination.

Upon the effectiveness of such termination neither party shall have any further liability to the other under the Confirmation, except that any liabilities incurred or accrued prior to termination shall continue until paid as set forth in Section 2(b) and 2(c) and any obligations under Exhibit A, Special Provisions, Sections 2(b)(ii), 2(b)(iii), 2(b)(iv) and 2(c)(iii) shall survive termination of this Confirmation. Termination of the Confirmation in accordance with Exhibit A, Special Provisions, Sections 2(a), 2(b) or 2(c) will not be a

basis for terminating other confirmations between the parties under the WSPP Agreement.

- (e) Each Party shall give the other Party as much notice as possible of issues or concerns that might give rise to its decision to terminate this Confirmation.
- (f) In the event that any Transaction is terminated under this Confirmation, all Transactions are terminated, however, any obligations under Exhibit A, Special Provisions, Sections 2(b)(ii), 2(b)(iii), 2(b)(iv) and 2(c)(iii) shall survive termination of this Confirmation.

3. Conditions Precedent

- (a) The Confirmation (including all three of Transactions 1, 2 and 3) is conditional upon and shall not take effect or be enforceable against either Party until the later of the following to occur:
 - (i) The Confirmation has been executed by a properly authorized representative of SMUD Management,
 - (ii) A properly authorized representative of SMUD Management has executed a power purchase agreement with the Owner with regard to the Burlington Project ("Burlington Project PPA"), in form and substance satisfactory to SMUD,
 - (iii) A properly authorized representative of the Owner has executed the Burlington Project PPA,
 - (iv) The Confirmation has been executed by a properly authorized representative of SCL Management.
- (b) The extension of this Confirmation and the Terms of Transaction 1, 2, and 3 through July 31, 2017 shall take effect upon, is conditional upon and shall not take effect or be enforceable against either Party until, the later of the following to occur:
 - (i) The Confirmation, including the extension through July 31, 2017, has been approved by SMUD's Board of Directors,



- (ii) SMUD's Board of Directors has approved the Burlington Project PPA, including the extension through July 31, 2017, in form and substance satisfactory to SMUD,
- (iii) The Confirmation, including the extension through July 31, 2017, has been approved by a lawfully enacted ordinance of the City of Seattle.

Each Party will advise the other Party of its progress from time to time in obtaining the conditions it has required and shall immediately notify the other Party of the waiver or satisfaction of each condition above that it has required. Each Party shall be obligated to make best efforts to obtain the approvals listed above as soon as reasonably possible given the briefing and meeting calendars of the applicable entities.

(c) If the City of Seattle or SMUD's Board of Directors propose modification to this Confirmation, the Parties shall exercise commercially reasonable efforts to either:

- (i) Amend this Confirmation to comply with the changes, or
- (ii) Negotiate a replacement Confirmation, that in either case provides benefits similar to those provided under this Confirmation to both Parties and that is expected to be acceptable to the City of Seattle, and SMUD's Board of Directors, or
- (iii) Terminate discussions.

4. Special Provision for An Eighteen Month Term

In the event that the Term terminates after eighteen months (on January 31, 2009), the Transaction 2C Quantity for the portion of the second 'Contract Year' that falls within the eighteen (18) month Term shall be 8,850 MWh (half of the Transaction 2C Quantity for the first Contract Year). In such case, to prevent exceeding the 18 month Term, the Transaction 2D Deliveries for such shortened second Contract Year shall be settled financially based on the Dec-Feb Super-Peak COB Power Price rather than delivered physically. In such case, SMUD shall no later than February 10, 2009 calculate a payment in lieu of Transaction 2 deliveries in the amount of 8,850 MWh multiplied by the Dec-Feb Super-Peak COB Power Price. SMUD shall make such payment to SCL according to WSPP billing timelines as if such bill were received by SMUD on February 20, 2009.



5. Damages for Unexcused Failure to Deliver or Receive Energy

Subject to the provisions of this Confirmation, in the event of a failure to deliver or receive contracted deliveries of energy not excused by an Uncontrollable Force, curtailment of firm transmission, or Forced Outage, the damages provisions set out in WSPP Agreement, Section 21.3, shall apply to such failure to deliver or receive contracted deliveries.

6. Make-Up Deliveries

For each Transaction 1E Delivery Hours that SCL delivers energy produced by an Acceptable Renewable Resource at COB North to South in an amount that is less than the Transaction 1D COB Delivery Quantity delivered to SCL in such hour, then the amount of such under-delivery by SCL shall be multiplied by the Hourly COB Index and the resulting product added to the balance of an account that accumulates the value of such delivery mismatches ("Mismatch Account").

With the exception of Make-Up Schedules, for each of the Transaction 1E Delivery Hours that SCL delivers energy produced by an Acceptable Renewable Resource at COB North to South in an amount that is more than the Transaction 1D COB Delivery Quantity delivered to SCL in such hour, then the amount of such over-delivery by SCL shall be multiplied by the Hourly COB Index and the resulting product subtracted from the Mismatch Account.

Prior to the first Prescheduling Day of any calendar month of the Term the Parties shall review the Mismatch Account and shall make good faith efforts to agree upon Make-Up Schedules that attempt to bring the Mismatch Account balance to zero as soon as reasonably possible. Make-Up Schedules shall be delivered from SCL to SMUD at COB North to South and must be sourced from an Acceptable Renewable Resource. Unless both Parties agree otherwise for a particular instance, Make-Up Schedules shall be separate and in addition to those schedules intended to deliver the Transaction 1D COB Delivery Quantity and shall be delivered at a constant MW rate throughout any given delivery day and shall not be delivered at a rate greater than 5 MW. For any hour in which Make-Up Schedules are delivered, the Mismatch Account balance shall be reduced by the product of the amount of such energy delivered and the Hourly COB Index.

Once each Contract Year either Party shall have the right, but not the obligation to choose payment in lieu of Make-Up Schedule deliveries for any Mismatch Account balance (whether positive or negative) that exists through July 31 of such Contract Year. The Party desiring such



payment must notify the other Party in writing of its intention to exercise this right no later than July 20 of the applicable Contract Year. Billing of such payment in lieu of deliveries and the supporting calculations will be sent through the monthly billing process for the month of July and shall be payable with the July bill. Such payment shall be in the amount of the Mismatch Account as reflective of deliveries through the end the delivery day of July 31 of such Contract Year. If such payment has been elected then the Mismatch Account balance shall be reset to zero after 12:01 AM PPT on the following August 1.

7. Priority in Transmission Curtailment

In the event that either party must curtail energy deliveries or receipts due to reduction in the transmission rating of the applicable transmission path, such party shall make reasonable efforts to treat transactions under this Confirmation with a transmission use priority similar to that of any other transactions and schedules such Party has for delivery of firm energy that simultaneously utilize the same transmission path.

8. Scheduling

The products under all transactions shall be scheduled in accordance with NERC, NAESB and WECC business practices and standards as amended from time to time.

9. Adjustment to Index Pricing

- (a) In the event: (i) the Dow Jones COB Hourly Electricity Price Index is no longer provided, or (ii) the basis upon which the Dow Jones COB Hourly Electricity Price Index is determined and provided is materially altered (the date that the first of such events occurs being herein called the "Redetermination Date"), then the Parties will meet within 15 days following the request of either Party, and will negotiate in good faith to agree upon a suitable substitute for the Dow Jones COB Hourly Electricity Price Index.
- (b) The substitute index will be effective as of the Redetermination Date and once the substitute for the Dow Jones COB Hourly Electricity Price Index is determined, the Parties will make appropriate adjustments to reflect the difference between the new energy Price and the price used since the Redetermination Date.

10. Environmental Attributes



- (a) Notification of Change in Status of Acceptable Renewable Resource. Either Party shall notify the other Party within 5 business days upon its knowledge that: (i) an Acceptable Renewable Resource used by it for deliveries to the other Party materially and on an on-going basis fails to meet the California Renewable Portfolio Standard for investor owned utilities as defined by the California Energy Commission's Renewable Portfolio Standard Eligibility Guidebook or any successor guidelines ("California RPS Requirements"), or (ii) deliveries that it receives from an Acceptable Renewable Resource do not meet California RPS Requirements (unless the reason for such failure was solely because the power was not delivered to a retail seller as defined by applicable law).
- (b) Environmental Attribute Exchange. To the extent that (i) SCL delivers to SMUD using an Acceptable Renewable Resource other than the Burlington Project, and (ii) the RECs SMUD receives from the Burlington Project do not meet California RPS Requirements because the Burlington Project energy was not physically delivered to California and SMUD determines in good faith that SMUD may not use the energy of the Acceptable Renewable Resource or the RECs from the Burlington Project to meet its renewable portfolio standard goals, then SMUD shall have the right to exchange Environmental Attributes (as documented in the form of RECs) associated with Burlington Project Energy for Environmental Attributes associated with any energy delivered to SMUD hereunder from such other Acceptable Renewable Resource. Notwithstanding the foregoing, SCL shall not be required to exchange such Environmental Attributes if the Burlington Project Environmental Attributes do not meet the California RPS Requirements in all other respects other than the delivery requirements. Further, SCL shall not be obligated to exchange Environmental Attributes associated with energy deliveries made prior to receipt of notification by SCL as required by Exhibit A, Special Provision, Section 10(a).

No later than February 1 of each year, SMUD shall notify SCL in writing of its intention (if any) to exchange Environmental Attributes in such manner with regard to Environmental Attributes produced in the previous calendar year. Such notice shall list the amount of Environmental Attributes to be exchanged, and the total energy delivered by SCL to SMUD from each applicable Acceptable Renewable Resource pursuant to this Confirmation in such calendar year. No later than March 31 following such notice,



the Parties shall have delivered to the other Party such Environmental Attributes as the exchange requires.

- (c) Delivery of Environmental Attributes/RECs. Any Environmental Attributes provided under this Confirmation shall be documented by Renewable Energy Credits, the cumulative total of which shall be provided by the REC Delivering Party to the other Party. To the extent that a Party has an obligation to deliver Environmental Attributes to the other Party, such Party shall provide the other Party a REC Attestation and Bill of Sale, substantially in the form of Exhibit B. The REC Attestation and Bill of Sale shall list the monthly amount of energy delivered hereunder from the Acceptable Renewable Resource. The Parties will from time to time adopt changes to the REC Attestation and Bill of Sale that reflect changes implemented by the Center for Resource Solutions or successor organization to the extent that neither Party has reason to object to such changes. At such time as WREGIS is implemented as a prevailing practice in WECC, the Parties shall be responsible for complying, at their own expense, with any requirements imposed by WREGIS and the Center for Resource Solutions' Green-e program for the purpose of verifying SMUD's and SCL's receipts of renewable energy and RECs under this Confirmation. SCL in each case shall also provide to SMUD upon request evidence that an Acceptable Renewable Resource has been certified (or precertified, as applicable) by the California Energy Commission.
- (d) Sale or Use of Environmental Attributes. With respect to any Environmental Attributes delivered to the other Party hereunder, the delivering Party shall not assign, transfer, convey, encumber, sell, or otherwise dispose of all or any portion of the Environmental Attributes generated from the applicable Acceptable Renewable Resource to any entity other than the receiving Party nor shall the delivering Party use such Environmental Attributes for their own purposes.
- (e) Damages for Unexcused Failure to Deliver Environmental Attributes. Failure to deliver Environmental Attributes in the form of RECs as required herein shall result in the failing Party being liable for the product of the the actual REC replacement price and the amount not delivered by such Party under this Confirmation. In such case the other Party may withhold a reasonable amount of payment owed hereunder until a suitable attestation is provided or settlement of replacement costs occurs. In the event that a Party intends to purchase RECs to replace any not delivered by the other Party, the

Party failing to deliver RECs shall then have thirty (30) days to purchase and deliver RECs from an Acceptable Renewable Resource, after which the aggrieved Party may purchase replacement RECs in a commercially reasonable manner. Except as permitted by this Confirmation, each Party has an unqualified obligation to deliver the Environmental Attributes associated with their renewable power deliveries to the other Party and shall not rely on replacement costs as an alternative to delivery.

11. Further Assurances/Credit

Section 22.1 of the WSPP Agreement is modified by deleting Subsection (c) in its entirety and inserting in its place the following new language:

“(c) The Defaulting Party becomes Bankrupt; or”

Section 22.1 of the WSPP Agreement is further modified by deleting Subsection (d) in its entirety and inserting in its place the following new language:

“(d) The Defaulting Party fails to provide Credit Assurances pursuant to the terms of Section 27.1.”

Section 22.1 of the WSPP Agreement is further modified by inserting the following new language at the end thereof:

“(f) The expiration or termination of a Related Agreement with respect to the obligations of the Defaulting Party under this Agreement or the Confirmation Agreement for a specific Transaction, or the failing or ceasing of such Related Agreement to be in full force or effect for the purpose of this Agreement or a Confirmation Agreement for a specific Transaction (in either case other than in accordance with the terms of this Agreement and any applicable Confirmation Agreement) before the satisfaction of all obligations of the Defaulting Party under this Agreement and under each Transaction to which such Related Agreement relates, without the prior written consent of the other Party;

(g) The Defaulting Party is subject to an event of default or material breach (howsoever defined) under any Specified Agreement, after giving effect to any applicable notice or grace period under such Specified Agreement;

(h) A default, event of default or other similar condition or event (however described) in respect of either Party or its Guarantor(s), if any, under one or more agreements or instruments relating to Specified Indebtedness of any of them



(individually or collectively) in an aggregate amount of not less than ten million dollars (\$10,000,000) which has resulted in such Specified Indebtedness becoming due and payable under such agreements or instruments, before it would otherwise have been due and payable, or a default by either Party or its Guarantor(s), if any, (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than ten million dollars (\$10,000,000) under such agreements or instruments (after giving effect to any applicable notice requirement or grace period); or

(i) The Defaulting Party fails to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default, and except for such Party's obligations to deliver or receive electric power or energy, the exclusive remedy for which is provided in Section 21.3) if such failure is not remedied within five (5) Business Days after written notice."

(j) The Defaulting Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party."

Section 22.2 of the WSPP Agreement, "Remedies for Events of Default," is modified by inserting the following before the text thereof:

Automatic Early Termination Applicability to Parties:	SMUD: <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Inapplicable	SCL: <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Inapplicable
--	--	---

Section 22.2 of the WSPP Agreement is further modified by deleting the first and second sentences in their entirety and inserting in their place the following new language:

"If at any time an Event of Default with respect to Credit Assurances or Bankruptcy and with respect to a Defaulting Party has occurred and is continuing, the Non-Defaulting Party may do one or more of the following: (a) withhold any payments due to the Defaulting Party under this Agreement; (b) suspend performance due to the Defaulting Party under this Agreement; and/or (c) by giving not less than thirty (30) days notice,



designate a day as an Early Termination Date ("Early Termination Date") in respect of all outstanding Transactions (each referred to as a "Terminated Transaction"), which Early Termination Date shall not take effect if the Event of Default is cured in the intervening period before such date.

Section 22.3 of the WSPP Agreement is modified by deleting paragraph (d) (the two sentences beginning "The Non-Defaulting Party shall aggregate..." and ending "... following the date notice of termination is received.") in its entirety and inserting in its place the following new language:

(d) (1) If an Early Termination Date is declared hereunder, it shall constitute a material breach or event of default (howsoever described) with respect to the Defaulting Party under all Specified Agreements to which the Defaulting Party is a party, whereupon the Non-Defaulting Party or any Affiliate of the Non-Defaulting Party shall have the right to terminate, liquidate and otherwise close out any such Specified Agreements (and the Defaulting Party shall be liable for any damages suffered by the Non-Defaulting Party and any Affiliate of the Non-Defaulting Party as a result thereof).

With regard to Section 24, "Governing Law" shall be amended as follows:

The first sentence shall be deleted in its entirety and replaced with the following:

"This Confirmation will be governed by and construed in accordance with the laws of the State of Washington, without reference to its choice of law doctrine.

Section 24 is further amended by adding the following new Sections 24A and 24B at the end thereof:

"24A. WAIVER OF JURY TRIAL AND COSTS; VENUE. The Parties waive any right to trial by jury in any judicial action arising hereunder. In the event such judicial proceedings are instituted by either Party, such proceedings shall be brought in a federal district court and the prevailing Party shall be entitled to award of its costs and attorneys' fees incurred in connection with such proceedings.

Section 27 of the WSPP Agreement is modified by deleting that Section in its entirety and inserting the following new Sections 27.1, 27.2, and 27.3 in its place:

27.1 Credit Assurance. A Party (the "Requesting Party") may, from time to time, request that the other Party (the "Posting Party") provide the Requesting Party with Credit Assurance if at any time: (a) the Posting Party exceeds its Settlement Risk Limit;

or (b) the Requesting Party has reasonable grounds for insecurity concerning the Posting Party's ability to perform any of its obligations under this Agreement or under any Transaction. If the Posting Party fails to provide Credit Assurance within three (3) Business Days of said request, then the Requesting Party may, in its sole discretion, withhold or suspend its obligations under this Agreement and the Transaction. If the Posting Party fails to provide such Credit Assurance within three (3) Business Days of said request, then the Requesting Party may declare such failure an Event of Default and exercise any or all other remedies available hereunder or pursuant to law.

27.2 Insecurity. For purposes of this Section 27.2: (a) SCL shall be deemed to have "reasonable grounds for insecurity" only if there has been a decrease in the rating of the long-term unsecured, unsubordinated debt of the guarantor of the obligations SMUD, (or any successor thereto), below BBB- or Baa3 by Standard & Poor's Rating Group ("S&P's") or Moody's Investors Services, Inc. ("Moody's"), respectively, and (b) SMUD shall be deemed to have "reasonable grounds for insecurity" only if there has been a decrease in the rating of the municipal light and power revenue bond ratings of SCL below BBB- or Baa3 by S&P's or Moody's, respectively.

27.3 Financial Information. If requested by either Party, the other Party shall deliver (i) within 120 days following the end of each fiscal year, a copy of its audited financial statement or the audited financial statement of its Guarantor, certified by independent certified public accountants and (ii) within 90 days after the end of each of its (and its Guarantor's) first three fiscal quarters of each fiscal year, a copy of its quarterly report and the quarterly report of its Guarantor, if any, containing unaudited consolidated financial statements for such fiscal quarter. SMUD may comply with this Section by delivering reports and statements of SMUD (or any successor thereto). In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles, consistently applied, or such other principles then in effect; provided that, should any such statements not be available timely due to a delay in preparation or certification, such delay shall not be considered a default so long as such Party diligently pursues the preparation, certification and delivery of the same."

Section 37 of the WSPP Agreement is modified by inserting the following new language at the end thereof:

"(1) Each Party further represents and warrants to the other Party, as of the date of the Confirmation, and of each delivery of capacity and/or electric power and energy pursuant thereto, that:

(a) It is not relying upon any representations of the other Party other than those expressly set forth in the WSPP Agreement, the Confirmation or any written guarantee of the obligations of such other Party;

(b) It has entered into the WSPP Agreement, the Transactions and the Confirmation as principal (and not as advisor, agent, broker or in any other capacity, fiduciary or otherwise), and has made its trading and investment decisions based upon its own judgment and any advice from such advisors as it has deemed necessary and not in reliance upon any view expressed by the other Party, with a full understanding of the material terms and ability to assume the risks of the same;

(c) It has entered into the WSPP Agreement, Transactions and Confirmation in connection with the conduct of its business and has the ability to make or take delivery of capacity and/or electric power and energy;

(d) The other Party has not given to it any assurance as to the expected financial results of entering into the WSPP Agreement or the Transactions; and

(2) SCL hereby further represents to SMUD, as of the date of the WSPP Agreement, the Transactions and the Confirmation, that:

(a) The execution and delivery by the SCL of the WSPP Agreement, the Confirmation and any other documentation relating hereto, and the performance of SCL of its obligations there under, are in furtherance, and not in violation of, one or more of the purposes of the City Light Department.

(b) There is no required authorization, approval or resolution of the governing or other applicable body of SCL with regard to the Transactions other than those explicitly stated in this Confirmation;

(c) The provisions under this Confirmation are on terms most favorable to SCL under the circumstances prevailing at the time of such transaction and in compliance with Washington state law, including RCW 43.09.210 and Seattle Municipal Code Section 21.49.130.

12. **Uncontrollable Force**



"Uncontrollable Force" shall be deemed to have the meaning given to it in the WSPP Agreement with the following additional clarification with regard to curtailments of the California Oregon Intertie (COI). Failure to either deliver, or receive delivery of, energy as required hereunder due to curtailment of firm transmission being utilized by a Party, to either deliver energy to COB North to South, or transmit energy away from COB North to South, shall be deemed an Uncontrollable Force to the extent caused by a reduction in the transmission rating of the COI, provided and to the extent that such Party does not at the time it is first informed of such curtailment, own rights to unused and uncommitted firm transmission capacity on the same path capable of providing for such deliveries. Neither party shall be required to attempt to purchase replacement of such curtailed firm transmission on the COI or to purchase replacement for, or resell the associated curtailed energy.

13. Billing

SMUD will bill SCL for all Transactions pursuant this Confirmation to the extent billing is required including netting of any amounts owned by SMUD to SCL. Either Party may bill as necessary pursuant to Exhibit A, Special Provisions, Section 5 and Section 10(e).

14. Remedies for Events of Default

Section 22.2 and 22.3 of the WSPP Agreement is amended to eliminate the requirement that a Non-Defaulting Party will be required to pay money to a Defaulting Party if the Non-Defaulting Party's aggregate Gains exceed its aggregate Losses and Costs, provided, however, that the Non-Defaulting Party shall be responsible for monies owed to the Defaulting Party for energy and REC deliveries scheduled prior to the date of termination of this Confirmation. In no case shall a defaulting Party be entitled to a mark to market based payment regardless of any language authorizing such a payment related to future deliveries in the WSPP Agreement or elsewhere.

15. Replacement of Dec-Feb On-Peak COB Power Price

In the event that the electricity market, for delivery at COB North to South, becomes illiquid during the Month of November, such that no broker maintains, or is able to obtain, both bid and offer prices for delivery of such electricity in the On-Peak of the immediately upcoming months of December, January and February, then for the purposes of calculating the Dec-Feb On-Peak

COB Power Price, for any missing bid or offer price the Parties shall use a substitute price ("Substitute Price") determined as follows:

The Parties shall immediately enter into discussions in an attempt to agree upon a reasonable Substitute Price. If after four-days of such discussions the Parties are unable to agree on a Substitute Price, then for purposes of scheduling Transaction 2 deliveries in the immediately upcoming months of December, January and February a temporary Substitute Price shall be utilized which shall be the weighted average of similar prices obtained for North Path 15 and Mid-C deliveries, where the applicable North Path 15 Price shall have a weighting factor of 0.33 and the applicable Mid-C price shall have a weighting factor of 0.67. If any of the North Path 15 or Mid-C prices needed to calculate the temporary Substitute Price are unavailable then SMUD shall designate a reasonable proxy price quote for such missing price, to be used until such time as the Parties resolve their dispute. The Parties shall then immediately enter into the dispute resolution process described in Section 34 of the WSP Agreement, beginning with informal dispute resolution, and ultimately including, if necessary, binding arbitration to determine an appropriate Substitute Price and to determine any settlements related to the difference between the temporary Substitute Price and the Substitute Price ultimately determined through the dispute resolution process.

To calculate the Dec-Feb On-Peak COB Power Price the Parties need both a bid and an offer price for deliveries at COB in the On-Peak Hours of December, January and February. As an example, if the Parties have obtained such quotes for all necessary periods, except that for the On-Peak Hours of February there is only a bid price available and no offer price available, then the Parties will enter into discussions in an attempt to agree upon a substitute February On-Peak Hours offer price. The substitute February On-Peak Hours offer price will then be used in conjunction with the other available price quotes to obtain the Dec-Feb On-Peak COB Power Price. Using that same example, if the Parties fail to agree on a Substitute Price for the February On-Peak Hours COB offer price, then a temporary Substitute Price would be used that would be equal to the sum of (a) 0.33 multiplied by the February On-Peak Hours North Path 15 offer price and (b) 0.67 multiplied by the February On-Peak Hours Mid-C offer price.



16. Integration

This Confirmation, including the attached exhibits which are incorporated by this reference, contains the complete agreement of the Parties and supersedes all prior or contemporaneous representations, statements, negotiations, understandings, and inducements with respect to the subject matter of this Confirmation.





GREEN-E RENEWABLE ATTESTATION FROM WHOLESALE PROVIDER OF ELECTRICITY OR RECS

Cover Page

This attestation is a part of the reporting requirements of sellers of renewable energy that participate in the Green-e Renewable Energy Certification Program ("Green-e"). Green-e is a voluntary program that provides consumer confidence in renewable energy by certifying renewable energy products that meet criteria developed by the Center for Resource Solutions (CRS). One criterion is that sellers of certified products undergo an annual sales and supply audit. A requirement of this audit is that participants make the chain of ownership of the renewable energy they sell transparent and verifiable, every step back to the generating facility.

Please read through the attestation and fill out both of the following pages, then return them to the company that requested it; you do not need to print or return this cover page. The information on this form is held strictly confidential and will not be shared with any other party except in aggregate form.

For more information about Green-e, please visit www.green-e.org. If you have any questions, please contact CRS verification staff at 415-561-2100. You may download electronic copies of this form from http://www.green-e.org/verif_docs.html.



GREEN-E RENEWABLE ATTESTATION FROM WHOLESALE PROVIDER OF ELECTRICITY OR RECS

I. Wholesale Provider Information

Name of Wholesale Provider: _____

Address of Provider: _____

Contact Person: _____ Title: _____

Telephone: _____ Fax: _____ Email Address: _____

II. Declaration

I, (print name and title) _____ declare that the (indicate with "x") _____ electricity bundled with renewable attributes / _____ renewable attributes only[†] listed below were sold exclusively from: (name of Wholesale Provider) _____ ("Provider") to: (name of REC provider, utility or electric service provider) _____ ("Purchaser").

I further declare that:

- 1) all the renewable attributes (including CO₂ benefits), including any emissions offsets, reductions or claims, represented by the renewable electricity generation listed below were transferred to Purchaser;
- 2) to the best of my knowledge, the renewable attributes were not sold, marketed or otherwise claimed by a third party;
- 3) Provider sold the renewable attributes only once;
- 4) the renewable attributes or the electricity that was generated with the attributes was not used to meet any federal, state or local renewable energy requirement, renewable energy procurement, renewable portfolio standard, or other renewable energy mandate by Provider, nor, to the best of my knowledge, by any other entity;
- 5) the electrical energy that was generated with the attributes was not separately sold, separately marketed or otherwise separately represented as renewable energy by Provider, or, to the best of my knowledge, by any other entity; and
- 6) the facilities that generated all of the renewable electricity / renewable attributes (as indicated above) sold to Purchaser are listed below by fuel type.

* Use separate forms to report electricity and REC sales.

[†] If Seller purchased electricity bundled with renewable attributes and has stripped off those attributes to sell in this transaction, and is selling the undifferentiated electricity to a utility or load-serving entity, see section III also.



"Exhibit B" – REC Attestation and Bill of Sale

List the renewable MWhs sold or transferred to Purchaser identified below by quarter of generation as a separate line item.

Generator Name	Generator ID Number (EIA or QF)	Nameplate Capacity (MW)	Fuel Type (if biomass, be specific; i.e. Landfill Gas)	# MWhs RECs / Elec. Sold	First Date of Generator Operation (mm/yy) [†]	Period of Generation (quarter#/yy or mm/yy)

As an authorized agent of Provider, I attest that the above statements are true and correct.

Signature

Date

Place of Execution

III. Additional Statement required of Seller selling electricity to Purchaser (Check box if not applicable:)

I declare that the electricity listed above was delivered into the following NERC region or ISO: _____

IV. Additional Statement required if Seller is selling only RECs to Purchaser and selling the associated electricity to a utility or load-serving entity (Check box if not applicable:)

Please write the name of the utility or load-serving entity here: _____

By signing below, I attest to the accuracy of all Additional Statements above (III through IV):

Signature

Date

Place of Execution

This Form is used by the Center for Resource Solutions to verify the accuracy of claims made by tradable renewable electricity certificate marketers. The information on this form is held strictly confidential and will not be shared with any other party except in aggregate form.

[†] For facilities that have added new renewable capacity, please indicate the amount and operational date of the new capacity and the existing capacity.



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"Exhibit C" -- True-Up Formula

Page 1 of 3

Exchange True-Up of Winter Deliveries by SMUD

$$\text{Winter MWh for SMUD to Deliver} = \frac{\text{(Annual Transmission Cost + Opportunity Cost Adder)}}{\text{the Dec-Feb Super-Peak COB Power Price}}$$

The formula must yield the negotiated amount of 17,700 MWh when the expected costs as of 03/27/07 (date of verbal agreement) are input.

CALCULATION USING FIRST YEAR INPUTS:

$$\text{Winter MWh for SMUD to Deliver} = \frac{(\$916,929 + \$469,830)}{\$78.35} = 17,700 \text{ MWh}$$

See Page 3 for Details of First Year Example

This calculation will not be revisited for the first year - 17,700 MWh is the number for the first Contract Year.

The Following Definitions Feed into the Formula:

Annual Transmission Cost = BPA Demand Charges + Losses Rate x Annual MIDC Price x Annual MWh

Opportunity Cost Adder = \$3.7617/MWh x Annual MWh

Dec-Feb Super-Peak COB Power Price = 1.16 x Dec-Feb On-Peak COB Power Price

Dec-Feb On-Peak COB Power Price =

The hours weighted average of bid and offer prices for delivery of firm On-Peak energy at COB North to South for the nearest upcoming months of December, January and February as published for the Business Day closest to November 9th (on or before the 9th) just prior to the applicable December through February delivery period by a broker active in the COB power market. SMUD shall obtain approval from SCL on which broker to use, or use the average of three different brokers active in the COB market.

BPA Demand Charges = ((Southern Intertie Demand + Scheduling + Reactive) + (PTP Demand + Scheduling + Reactive)) x 12 Months x 15,000 KW

Southern Intertie Demand = The BPA Monthly Demand Tariff Rate for Long-Term Southern Intertie Transmission

PTP Demand = The BPA Monthly Demand Tariff Rate for Long-Term Point-to-Point (Network service) Transmission

Scheduling = The BPA Monthly Demand Tariff Rate for Scheduling, System Control and Dispatch



Reactive = \$ 0.067 /kW-Month A fixed assumed number for the BPA Monthly Demand Tariff Rate for Scheduling, System Control and Dispatch

Losses Rate = The BPA Tariff Transmission Losses Percentage for the Southern Intertie
+ The BPA Tariff Transmission Losses Percentage for Point-to-Point (Network service)

Annual MIDC Price = The hours weighted average of all Dow Jones Daily Firm Mid-C Electricity Indices for the most recent historical November through October period, as determined in November for purposes of calculating the Winter Delivery Quantity.

Annual MWh = The total MWh delivered to SMUD at COB North to South by Seattle during the most recent historical November through October Period, including Make-Up Schedules but excluding any other MWh delivered at a rate above 15 MW, as determined in November for purposes of calculating the Winter Delivery Quantity.

For the first Contract Year an assumed number based on a 95% Capacity Factor is used.

Note: the October through November Period is used for the Second Contract year and beyond because it will be the most recent 'known' delivery data at the time that the Winter MWh deliveries are being calculated. For example the Winter MWh for the second contract Year will be calculated on or about November 12, 2008 and we will therefore be able to make use of COB NS delivery data available from the November 2007 through October 2008 period.



Exhibit C, Page 3 of 3 Definitions and Inputs Values for the First Contract Year:

Annual Transmission Cost = \$534,060.00 + (4.90% x \$ 62.56 x 24,898)
 = \$534,060.00 + \$382,868.55 = **\$916,928.55**

Opportunity Cost Adder = \$ 3.7617 /MWh X 124,898 = **\$469,830.31**

Dec-Feb Super-Peak COB Power Price = 1.16 x \$ 67.54 = **\$ 78.35**

Dec-Feb On-Peak COB Power Price = \$ 67.54

BPA Demand Charges = (((\$1.211/kW-month + \$0.203/kW-month + \$0.067/kW-month) + (\$1.216/kW-month + \$0.203/kW-month + \$0.067/kW-month)) x 12 Months x 15,000 Kw
 = \$ 2.967 /kW-Month x 12 Months x 15,000 kW = **\$534,060**

Southern Intertie Demand = \$ 1.211 /kW-Month

PTP Demand = \$ 1.216 /kW-Month

Scheduling = \$ 0.203 /kW-Month

Reactive = \$ 0.067 /kW-Month

Losses Rate = 4.90% = 3.00% + 1.90%

Annual MIDC Price \$ 62.56 = Average of 03/27/2007 Prebon Broker Quotes for Q2, Q3, Q4 of 2007 & Q1 of 2008

Annual MWh 124,898 = 15 MW X 8764.8 hours X 95% Capacity Factor

The Expected number was used for the first Contract Year, actual MWh per the definition of Annual MWh will be used in subsequent Contract Years.

Note: The average number of hours per year over the ten-year period was used here rather than 8784 to better define the Opportunity Cost Adder for a ten-year term

A fixed assumed number for the BPA Monthly Demand Tariff Rate for Scheduling, System Control and Dispatch



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
City Light	Marilynn Semro/386-4539	Thomas Dunlap/386-9120

Legislation Title: AN ORDINANCE relating to the City Light Department; authorizing the execution of a 10-year services and power purchase agreement with the Sacramento Municipal Utility District for renewable energy and environmental attributes.

• **Summary of the Legislation:**

This 10-year agreement sets forth terms and conditions for City Light to:

- (a) Provide scheduling and delivery services of up to 15 MW of power to the Sacramento Municipal Utility District (SMUD) at the California-Oregon Border (COB) that SMUD purchased from a new renewable resource in the Northwest,
- (b) Receive up to 25 MW of winter energy in payment for such services, and
- (c) Purchase from SMUD all of the new renewable energy and environmental attributes (Renewable Energy Credits or REC) associated with this resource in excess of 15 MW or approximately three average megawatts.

In addition, the agreement allows the City Light Department (City Light) to deliver an alternative renewable resource to SMUD and keep the renewable power delivered into City Light's system. This agreement has a net present value to City Light of about \$5 million. The agreement is made in accordance with the WSPP Inc. Agreement of March 16, 2007, a standardized agreement applicable to capacity and/or energy transactions. City Light and SMUD have entered into this agreement for an 18-month term effective August 1, 2007.

- **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

SMUD entered into a 10-year power purchase agreement with Sierra-Pacific Industries to purchase the environmental attributes and the net energy output (about 18 MW) from a new 28 MW wood-waste (biomass) cogeneration project located in Burlington, Washington. This project will be certified to meet the California Renewable Portfolio Standard (RPS). This project is also carbon neutral. SMUD intends to use it to help them meet California's RPS. SMUD requested City Light schedule and deliver up to 15 MW of the power to SMUD at the COB.

City Light agreed to provide the service. Instead of cash, City Light negotiated payment in the form of winter energy to aid in meeting its winter load and resource adequacy requirements pursuant to the 2006 Integrated Resource Plan (IRP). The amount is based upon the cost of providing the service and the lost opportunity value in using the transmission



for City Light's power transactions. In the 1st contract year, City Light will receive 17,700 MWh (5,900 MWh/month) delivered in December, January and February and in subsequent contract years the amount will vary depending on the cost of providing the service and the opportunity cost. City Light has the ability to move up to 25 hours of winter deliveries between months on 3 days notice to help meet unexpected cold weather events.

In addition, City Light agreed to terms that allow an alternative renewable resource to be delivered to SMUD at COB. City Light will then keep the power generated by the biomass project that is delivered into the City Light system. Using an alternative resource will reduce transmission usage and costs. In order to minimize the administrative burden of the contract, SMUD will keep the environmental attributes associated with the biomass project and City Light will keep the environmental attributes associated with the energy delivered from any alternative renewable resource. Should receipt by SMUD of environmental attributes from one renewable resource and receipt of energy from a different renewable resource not meet California RPS requirements, City Light has agreed instead to exchange the environmental attributes with SMUD.

The agreement provides for SCL to purchase from SMUD the renewable energy and environmental attributes generated by the project in excess of 15 MW (anticipated to be about 3 aMW or 26,300 MWh annually) for the same price SMUD is paying. Currently this price is set at \$62/MWh and will be escalated annually at 1.75%.

Please check one of the following:

This legislation does not have any financial implications. (Stop here and delete the remainder of this document prior to saving and printing.)

This legislation has financial implications. (Please complete all relevant sections that follow.)

***Appropriations:** This table should reflect appropriations that are a direct result of this legislation. In the event that the project/ programs associated with this ordinance have appropriations that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below.*

Fund Name and Number	Department	Budget Control Level*	2007 Appropriation	2008 Anticipated Appropriation
TOTAL				



**See budget book to obtain the appropriate Budget Control Level for your department.*

Notes: City Light will purchase from SMUD all renewable energy and RECs in excess of 15 MW (estimated at 26,300 MWh annually) to serve load or will market the power and use the RECs to mitigate green house gases, for City Light's retail Green-Up programs, or to sell in the wholesale market or meet City Light's RPS requirements.

The expected cost to purchase the 3aMW of new renewable biomass energy that is the subject of this agreement is \$683,000 in 2007 and \$1.7 million in 2008. The cost includes environmental attribute costs. This legislation proposes no appropriations. City Light will meet the agreement's 2007 and 2008 purchase agreement obligations with appropriations authorized in the 2007 Adopted Budget (Ordinance 122298), and with \$1.7 million of the 2008 appropriations to the Utility's Purchased Power Budget Control Level, SCL700.

Anticipated Revenue/Reimbursement: Resulting From This Legislation: *This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.*

Fund Name and Number	Department	Revenue Source	2007 Revenue	2008 Revenue
TOTAL				

Notes: No revenues are anticipated for the 2007 or 2008 budget from this item. However, the agreement will result in some cost reduction from avoiding the need to acquire some energy to meet load (please see Attachment 1 to the Fiscal Note). For the scheduling and delivery service City Light provides under this Agreement, City Light will receive in payment about 25 MW of winter energy annually to help serve City Light's winter load requirements and reduce power needed to meet its resource adequacy requirement.

City Light also has the ability to move up to 25 hours of winter deliveries between months on 3 days notice. This is estimated to have a net present value of about \$5 million greater than the status quo, not including the value of the RECs. The forward energy market for 2008 is in the range of \$60/MWh to \$65/MWh and the current value of the RECs is in the range of \$4/MWh-\$5/MWh at the time the agreement was framed.

Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE Impact: *This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below the table.*



Position Title and Department*	Fund Name	Fund Number	Part-Time/Full Time	2007 Positions	2007 FTE	2008 Positions**	2008 FTE**
TOTAL							

* List each position separately

** 2008 positions and FTE are total 2008 position changes resulting from this legislation, not incremental changes. Therefore, under 2008, please be sure to include any continuing positions from 2007.

Notes: None.

- **Do positions sunset in the future?** (If yes, identify sunset date):

Spending/Cash Flow: This table should be completed only in those cases where part or all of the funds authorized by this legislation will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects). Details surrounding spending that will occur in future years should be provided in the Notes section below the table.

Fund Name and Number	Department	Budget Control Level*	2007 Expenditures	2008 Anticipated Expenditures
TOTAL				

* See budget book to obtain the appropriate Budget Control Level for your department.

Notes: None.

- **What is the financial cost of not implementing the legislation?** (Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented.)

The cost of not implementing the legislation is the loss of \$5 million (NPV) received in the form of winter energy, a lost opportunity to purchase a cost-effective new renewable resource close to City Light's load that would help City Light meet its RPS requirements, meet its resource adequacy targets, and winter load requirement.

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** (Include any potential alternatives to the proposed legislation, such

as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)

The Utility is interested in other opportunities to enter into agreements that will contribute to meeting its resource adequacy needs and achieving its renewable resource portfolio standard at reasonable cost. City Light will continue its effort to identify and engage in such agreements. No such opportunity existed at the time for consideration as a possible alternative to the agreement posed by this legislation.

- **Is the legislation subject to public hearing requirements:** *(If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future.)*

The ordinance will be discussed in public sessions of the City Council's Energy and Environmental Policy Committee and the City Council.

- **Other Issues** *(including long-term implications of the legislation):*

None.

Please list attachments to the fiscal note below:

Attachment 1:

Economic Analysis.

SEATTLE CITY LIGHT

SMUD Exchange Analysis - Value compared to incremental transmission costs (losses).

SCL Exercises option to purchase output above 15mw immediately

Contract Year	Calendar Year (Contract Year Starts in August)	Premium Value (\$1,000s)	Energy Exchanged (mwh)	Premium Rate (\$/mwh)	Value of Exercising Option (\$1,000s)	With Optional Purchase Included (\$/mwh)	Opportunity Value (\$1,000s)
					\$		\$ 6.00
1	2007	\$ 813	131,760	\$ 6.17	\$ 813	\$ 6.17	\$ 791
2	2008	\$ 799	131,400	\$ 6.08	\$ 799	\$ 6.08	\$ 788
3	2009	\$ 846	131,400	\$ 6.44	\$ 846	\$ 6.44	\$ 788
4	2010	\$ 883	131,400	\$ 6.72	\$ 883	\$ 6.72	\$ 788
5	2011	\$ 933	131,760	\$ 7.08	\$ 933	\$ 7.08	\$ 791
6	2012	\$ 856	131,400	\$ 6.51	\$ 856	\$ 6.51	\$ 788
7	2013	\$ 855	131,400	\$ 6.51	\$ 855	\$ 6.51	\$ 788
8	2014	\$ 854	131,400	\$ 6.50	\$ 854	\$ 6.50	\$ 788
9	2015	\$ 860	131,760	\$ 6.52	\$ 860	\$ 6.52	\$ 791
10	2016	\$ 895	131,400	\$ 6.81	\$ 895	\$ 6.81	\$ 788
NPV Average		\$ 7,317		\$ 6.53	\$ 7,317	\$ 6.53	\$ 6,731

Part below no longer used.

SCL Option to purchase output above 15mw not exercised

Contract Year	Calendar Year (Contract Year Starts in May)	Premium Value (\$1,000s)	Energy Exchanged (mwh)	Premium Rate (\$/mwh)	Opportunity Value (\$1,000s)
					\$ 6.00
1	2007	\$ 498	158,112	\$ 3.15	\$ 949
2	2008	\$ 490	157,680	\$ 3.11	\$ 946
3	2009	\$ 573	157,680	\$ 3.64	\$ 946
4	2010	\$ 655	157,680	\$ 4.15	\$ 946
5	2011	\$ 728	158,112	\$ 4.60	\$ 949
6	2012	\$ 636	157,680	\$ 4.04	\$ 946
7	2013	\$ 644	157,680	\$ 4.09	\$ 946
8	2014	\$ 657	157,680	\$ 4.17	\$ 946
9	2015	\$ 673	158,112	\$ 4.26	\$ 949
10	2016	\$ 706	157,680	\$ 4.48	\$ 946
NPV Average		\$ 5,296		\$ 6.69	\$ 8,077

Notes:

- 1) Winter deliveries by SMUD assumed in the NW (SMUD efficiently utilizes delivery option).
- 2) A loss of intertie revenue assumed based on need to reserve 23 mw of transmission to support 18 mw of exchange (5 amw times basis) unless option exercised.
- 3) Application of adjustments to winter deliveries for BPA rate changes and market not reviewed.
- 4) Value of option reflects premium for RECs above the \$62/mwh strike price (escalated). Top end of generation range likely to have integration issues.
- 5) Opportunity value based on other potential uses of intertie to transmit qualified resource energy into California.
- 6) Analysis based on March 30 GED long-term price forecast.





City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

March 18, 2008

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

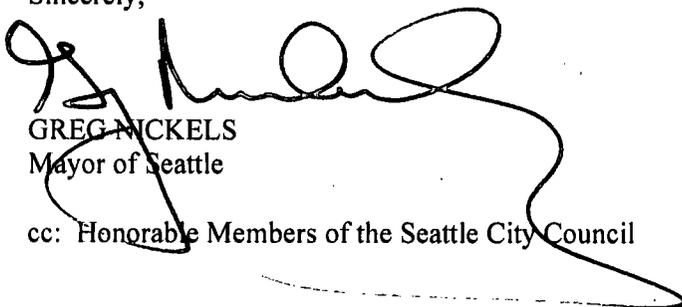
Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill that authorizes Seattle City Light (SCL) to execute a 10-year seasonal exchange agreement for electricity with the Sacramento Municipal Utility District (SMUD) through July 31, 2017.

This agreement advances my Climate Protection Initiative and improves City Light's ability to provide reliable electrical service during the winter, stabilize rates, and add more new renewable energy to its resource portfolio. The agreement provides for City Light to schedule and deliver power SMUD has purchased from a new biomass project in Northwest Washington. In payment for this service SMUD will provide SCL with winter energy when it is most needed to meet loads. In addition, SCL will purchase all of the energy from the biomass project in excess of 15 megawatts (approximately 3 average megawatts). Both actions contribute to meeting three of City Light's Integrated Resource Plan goals: resource adequacy, adding new renewable resources, and reducing portfolio volatility.

Thank you for your consideration of this legislation. Should you have questions, please contact Marilyn Semro at (206) 386-4539.

Sincerely,



GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

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