

*PUD No. 1 of Chelan County
Wenatchee, Washington*

*Slice SOI 35 Purchaser Interruptible Import Instruction -
Companion instruction to System Operator Instruction No. 35*

Subject: Reserves Requirement for Interruptible Imports

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This is a Slice Operational Instruction for Chelan PUD Slice Purchasers when importing non-firm or interruptible energy into the Chelan BA on Real-Time.

Chelan PUD is obligated by the Western Electric Coordinating Council's (WECC) standards for reserves and must carry adequate reserves for contingencies within its Balancing Authority (BA) boundaries.

TAGGING GUIDELINES

Although e-tag procedures differ depending upon the BA sourcing the non-firm or interruptible import, Slice Purchasers are responsible for providing 100% reserves for non-firm or interruptible imports sinking in Chelan's BA. These e-tag guidelines are based on Chelan's best industry understanding and are subject to change.

When a Non-BPAT BA is the Source BA

All interruptible imports must be designated as such on the e-tag. The energy product type should be G-NF.

When BPAT is the Source BA

Chelan's Interim Business Practice, "*Treatment of Variable Generation imported from BPA's Balancing Authority*", must be followed for imports subject to BPA DSO216. The Interim Business Practice states that 100% reserves must be carried on imports subject to DSO 216 even though they are e-tagged as Firm. The energy product type should be G-F. Chelan's internal systems know that Chelan is responsible for 100%

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reserves on these e-tags as they recognize any BPAT registered wind entity listed as the source on an e-tag.

The Slice Purchasers must provide reserves from their Slice to meet the reserve obligations for their exports and interruptible or non-firm imports. Interruptible imports or non-firm energy is energy that the Purchasing-Selling Entity (PSE) has specified may be interrupted by the source BA after giving notice to the sink BA.

An interruptible import e-tag may be denied if the Slice Purchaser does not have adequate reserves to cover their reserve obligation.

The Slice Purchaser's aggregated schedules (Canadian Entitlement energy plus firm exports minus firm imports plus interruptible exports minus interruptible imports) must be less than or equal to the Slice Purchaser's Maximum Generation Limit and greater than or equal to the Slice Purchaser's Minimum Generation Limit. The Chelan System Operator will get a "schedule deviation" alarm (either high or low limit exceeded) when the Slice Purchaser's schedules are outside the limits and will call the real-time service provider to curtail the last-in export tag(s) or direct a counter-flow schedule to the Slice Purchaser for correction.

The Slice Purchaser shall meet all reserves requirements. During Preschedule and prior to the hour of flow, the required planning reserve requirement is 3% plus a 2% margin. During the hour of flow, the Slice Purchaser's residual reserves equal the Slice Purchaser's Maximum Generation Limit (Maximum Capacity less the 3% reserve requirement only) minus the Slice Purchaser's net firm export schedules/e-tags minus the reserve

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requirement for interruptible imports (100% of the interruptible import amount). The Slice Purchaser's residual reserves must be greater than or equal to zero. Chelan System Operations will be monitoring the reserve requirements and when the value is less than zero, the Chelan System Operator will get a "schedule deviation" alarm and will call the real-time service provider to curtail the last-in export tag(s) or direct a counter-flow schedule to the Slice Purchaser for correction.

Capacity Calculation:

Chelan PUD will, at its own discretion, determine the instantaneous available Slice Maximum and Minimum Capacity. Also, Chelan PUD will, at its own discretion, determine the Slice Maximum Generation Limit and the Minimum Generation Limit.

Failure to Comply:

The sum of the Slice Purchaser's export schedules/e-tags shall not be greater than the Slice Purchaser's Maximum Generation Limit (Maximum Capacity less reserve obligation). To do so would constitute hubbing. Slice Purchaser's net firm export schedules/e-tags **plus** the reserve requirement for interruptible imports (100% of the interruptible import amount) **plus** reserve obligations shall not exceed the Maximum Generation Limit or go below the Minimum Generation Limit. The following penalty charges shall apply to any hour, or portion thereof, where either is violated. No credit is given for unused capacity for any hour.

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The penalty charge for such violations is addressed in Section 6 of the individual Slice Output Contracts. All other penalties per the Slice Output Contract also apply.

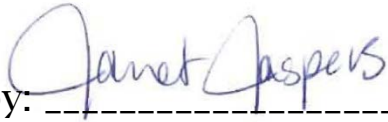
Chelan PUD, at its sole discretion, may waive all or part of the penalty charge if the Slice Purchaser took mitigating action or the exceedance was caused by extraordinary circumstances. Chelan PUD, at its sole discretion, may change the penalty charge with 10 days notice.

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Approved by:  _____

Janet Jaspers

Energy Planning & Trading Manager

| Owner | Rev. Date | Ver. | Section / Item Number(s) Changed | Approved By |
|-------|-----------|------|---|-------------|
| Fintz | 02/06/12 | 0 | Initial document | Jaspers |
| Fintz | 05/31/12 | 1 | Deleted communication to the Real Time Service Provider section for change in auto send to AGC which was implemented on May 22, 2012. | Jaspers |
| Fintz | 12/17/12 | 1 | Added paragraph on District Interim Business Practice must be followed and also changed penalty fees effective Jan 1, 2013. | Jaspers |
| Fintz | 1/29/13 | 2 | General clean-up and consistency with SOI 200. Addition of what constitutes hubbing. | Jaspers |
| Fintz | 2/14/13 | 3 | Clarification to e-tag instructions. | Jaspers |
| Fintz | 12/05/14 | 4 | Clarification and changes for lowering the reserve requirement from 5% to 3%. | Jaspers |