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TACOMA PUBLIC UTILITIES

September 16, 2005

Allen Burns, Executive VP,
Industry Restructuring
Bonneville Power Administration, R-3
P.O. Box 3621
Portland, OR 97208-3621

Kristi Wallis
716 39th Avenue
Seattle, WA 98122

SUBJECT: Tacoma Power's signed Memorandum of Intent


Attached you will find a copy of the Memorandum of Intent (MOI) signed by Tacoma Power to signify our support for the Transmission Improvement Group (TIG) proposal.

Tacoma Power believes the TIG process has been very productive and has produced a proposal that TIG participants can be proud of. Tacoma Power is committed to implementing the TIG proposal, as it was drafted and released publicly in August 2005.

Tacoma Power is concerned about the current "convergence" effort and its attempt to merge the TIG and Grid West proposals. Tacoma Power is apprehensive that this effort will change the TIG proposal in ways contrary to TIG's underlying tenants. While Tacoma Power recognizes that some accommodations may be necessary to bring other parties into the TIG process, Tacoma Power believes the basic tenants of TIG must be respected. Tacoma Power views any proposal arising from the convergence process as a new proposal that would require a new agreement or MOI.

Tacoma Power looks forward to working with the Bonneville Power Administration and other regional utilities to implement the TIG proposal.

Sincerely,



Steven J. Klein
Superintendent

Att.

**Transmission Improvements Group
Developmental Memorandum of Intent**

This Memorandum of Intent ("MOI"), dated as of Sept. 16, 2005, is entered into by and among the signatories to this MOI (each, a "Party" and in the plural, the "Parties"). However, it shall not become effective as to any signatory unless and until such time as it is signed by such signatory and Bonneville Power Administration ("BPA").

WHEREAS, the Transmission Improvements Group ("TIG") has developed a proposal containing high level concepts, specific solutions, and a structural framework for implementing improvements to several aspects of the Northwest transmission system;

WHEREAS, one of the conditions of TIG participation during the development of the TIG proposal has been that no Party endorsed in advance or committed to support the proposals; and

WHEREAS, the Parties to this MOI believe the TIG proposal is an appropriate course for the region and they intend to express their support for implementation of the TIG proposal by funding and actively participating in the development of the TIG Coordinating Agreement and Implementation Agreements.

The Parties agree to the following:

1. Term

This MOI shall be of no force or effect as to any signatory unless and until it is signed by BPA and another signatory. The MOI shall become effective as of the date it is signed by BPA and shall remain in effect for 365 days from such date *provided* that a signatory may withdraw after May 1, 2006 by providing formal notice to all other Parties that it rescinds its intent to participate in the implementation of the TIG proposal and, *provided further*, the MOI shall remain in effect for the non-withdrawing parties notwithstanding such withdrawal.

2. Scope of Intent

- 2.1 By executing this MOI the signatory endorses the development of the TIG Coordinating Agreement and Implementation Agreements. The signatory (has signed) (intends to sign by October 28, 2005) (will recommend to its board or council to sign by October 28, 2005) a participation and funding agreement substantially in the form of the attached Phase Two Participation and Funding Agreement: *provided* that nothing in this MOI shall preclude any Party from participating in Grid West or other transmission developmental efforts.
- 2.2 The Participation and Funding Agreement describes the funding, cost allocation, and process for the next twelve months of TIG development and implementation. The funding will cover both the development of the Coordinating and Implementation Agreements and early implementation of some TIG functions.



2.3 In drafting and negotiating the Coordinating and Implementation Agreements the Parties intend to use the TIG proposal as a basis. The Parties recognize that some Parties have not participated in the drafting of the TIG proposal and reasonable accommodations shall be considered in the interest of developing mutually agreeable Coordinating and Implementation Agreements.

3. Participation and Implementation

3.1 The Signatory intends to actively participate in the development of a mutually agreeable TIG Coordinating Agreement, with the intent to complete such agreement no later than March 1, 2006.

3.2 The Signatory intends to actively participate in the development of mutually agreeable TIG Implementation Agreements. This shall include the formation of Implementation Committees and where applicable Advisory Committees. The Parties intend to make every reasonable effort to complete mutually agreeable Implementation Agreements by May 1, 2006. The Parties intend that the Agreements shall include an implementation plan with a timeline for incremental steps and full implementation and detailed cost estimates and allocations, and the Agreements will commit the signatories to completing the functions described, with appropriate provisions for termination.

3.3 Once the Coordinating and Implementation Agreements are drafted, each party shall decide whether or not to sign the Agreements. Signing this MOI does not commit the signatory to sign the Coordinating or Implementation Agreements. Once the Agreements are completed the Parties will make every reasonable effort to complete any process steps that are needed as quickly as is reasonably possible. These steps may include seeking board approval, state regulatory approval, FERC approvals, and, in the case of BPA, holding the necessary public process.

3.4 The Parties recognize that some TIG functions can be implemented more quickly than others and they intend that implementation of some of these functions in whole or in part should proceed while the Agreements are being negotiated and finalized. The Parties intend to achieve full implementation of the TIG functions as soon as possible.

4. Participation in RABA

Parties that sign this MOI are indicating their intent to pursue the TIG proposal, which includes a voluntary control area consolidation under the RABA proposal. Parties that operate control areas shall indicate below whether they intend to participate in the development of the RABA Implementation Agreement and intend to make every reasonable effort to execute a mutually agreeable RABA Implementation Agreement.

Participate in Development: Yes No

Intend to Execute: Yes No Uncertain

5. Counterparts

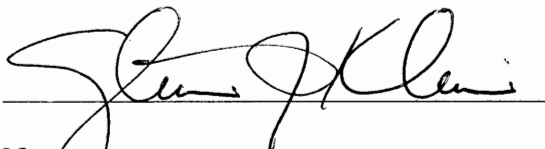
This MOI may be executed in multiple counterparts, each of which will be deemed to be an original, but all of which together shall constitute one and the same instrument.

6. Miscellaneous

6.1 Interpretation and No Joint Venture. This MOI shall not be interpreted or construed to create an association, affiliation, joint venture, or partnership or to impose any partnership obligation or liability upon any of the Parties. None of the Parties shall have any right, power, or authority under this MOI to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of any of the other Parties. It is expressly understood that this MOI is limited in scope and does not constitute an agreement to consummate any transaction involving transmission facilities or to enter into a definitive agreement with respect thereto.

6.2 No Third Party Beneficiaries. This MOI is made and entered into for the sole protection and legal benefit of the Parties. No other person or entity shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this MOI. No other person or entity shall be a third party beneficiary under this MOI.

6.3 Amendments. No amendment, waiver, modification, or other change to this MOI shall be of any force or effect unless hereafter set forth in writing and signed by an authorized representative of each of the Parties.


Name: Steven J. Klein

Title: Superintendent, Tacoma Power

Date: 9/16/05

Name: _____

Title: _____

Date: _____