

Draft Precedent Transmission Service Agreement (PTSA) Reform Initiative

September 14, 2011



NOS-GI Reform Status Update

- Workload re-prioritization focusing on PTSA Reform initiative.
 - Resource impacts
 - Timing
- Goal is to resolve PTSA Reform initiative by end of December 2011.
- BPA anticipates restarting NOS-GI Reform upon the completion of PTSA Reform (currently scheduled for January 2012).
- Updated NOS-GI Reform schedule currently under development.



Aggregate Summary of Interest in PTSA Reform

- Total NOS 2008-2010 PTSAs: 263 PTSAs totaling 11,722 MW
- Potential Termination Interest: 37 PTSAs totaling 1,983 MW
- Potential Modification Interest: 25 PTSAs totaling 1,045 MW
- Unchanged (remaining PTSAs): 201 PTSAs totaling 8,694 MW



PTSA Reform Caveats

- In response to customer requests, BPA is exploring allowing termination and/or modification of PTSAs.
- BPA has not at this time made a decision to undertake termination and/or modification of PTSAs. BPA is evaluating risks and benefits of undertaking modification and/or termination.



Approaches Under Consideration

- There are four approaches that BPA could potentially take:
 - Status Quo – Retain existing commitments; allow modification through existing rights to transfer, redirect, etc.
 - PTSA termination (prior to start of next NOS)
 - PTSA modification (prior to start of next NOS)
 - Reverse NOS based on pooling released ATC and using it for parties committing to take service in the next NOS (concurrent with start of next NOS). Release parties from previous commitments to the extent that such releases can be replaced with commitments in NOS IV. Replacement may not need to be 100% if costs are associated with release.



Modification Elements

- BPA is considering modification of the following terms of the Transmission Service Request bound by the PTSA
 - Capacity (decrease only)
 - Service Duration
 - Service Commencement Date
 - Service Termination Date
- POR/POD where there is no ATC impacts
 - Where there are ATC impacts, POR/POD modifications may be considered under a reverse NOS paradigm



Eligibility for Termination and/or Modification

- Any PTSAs that require one or more of the following transmission projects would be eligible:
 - Big Eddy-Knight
 - Central Ferry-Lower Monumental
 - I-5 upgrade
 - Colstrip Upgrade Project West
 - Northern Intertie Upgrade
- TSRs with PTSA that need only the McNary-John Day build or that were enabled without any build are NOT eligible
- TSRs that did not require new infrastructure to be enabled are NOT eligible
- Pre-NOS contracts are also not eligible



Principles

- BPA's decision will be guided by the following principles:
 - Customer satisfaction (all customers, not just those seeking to change PTSAs)
 - Support BPA's ability to make appropriate infrastructure decisions and best utilize BPA's capital
 - Transparency
 - Expedited process
 - Regional stakeholders must be made whole in terms of rate impact



Additional Principles for Termination or Modification

- No change to associated LGIA/LGIPs
- GI Credits will not be part of the calculation. The CIFA didn't involved GI credits.
- Speed - as quickly as reasonably possible so that BPA can prepare for the next NOS.
 - Consistent with existing tariff
- Offset deferral rights for project delay on a year for year basis?



Key Criteria for Evaluating Termination or Modification

- Win-Win
 - Any solution must recover all costs incurred and leave other BPA customers whole in terms of rate impact.
 - Other BPA customers should be in as good or better position than before NOS.
- Transparency in both processes and transactions
 - Template agreement for termination/modification – same for all
 - OR
 - Bilateral negotiation with individual customers, with the potential agreements posted for public comment prior to signing, which informs BPA's final decision regarding any potential agreement



Key Criteria for Termination or Modification (continued)

- Rate impact is a key measure of customer satisfaction
- Calculation of cost of termination/modification for a particular PTSA/TSR would be tied to:
 - Needed project-based costs and
 - Share of NOS process costs



Scenarios

- The following are Rate Impact Analysis Scenarios:
 - Base Case – NOS 2008 and NOS 2010 project builds
 - Big Eddy-Knight
 - Central Ferry-Lo-Mo
- Analysis was conducted using only TSRs requiring a build.
 - Authorized TSRs were not included in this analysis.
- I-5, Northern Intertie and CUP West will be analyzed at a later date.



Rate Impact – 20 year Average*: Status Quo

- Base Case: NOS 2008 and NOS 2010 Projects.
 - Total Direct Capital: \$973.6 million
 - Average MW: 8,813
 - Average Revenue Req: \$110.4 million
 - Rate Impact: **-.7%**
- Big Eddy-Knight only
 - Total Direct Capital: \$185.5 million
 - Average MW: 3,385
 - Average Revenue Req: \$21.2 million
 - Rate Impact: **-5.8%**
- Central Ferry-LoMo
 - Total Direct Capital: \$90 million
 - Average MW: 400
 - Average Revenue Req: \$10.9 million
 - Rate Impact: 1.1%

*Authorized TSRs were not included in this analysis.



Rate Impact – 20 year Average*: Under PTSA Termination Scenario

- Base Case: NOS 2008 and NOS 2010 Projects.
 - Total Direct Capital: \$973.6 million
 - Average MW: 6,863
 - Average Revenue Req: \$110.4 million
 - Rate Impact: 4.7%
- Big Eddy-Knight only
 - Total Direct Capital: \$185.5 million
 - Average MW: 2,185
 - Average Revenue Req: \$21.2 million
 - Rate Impact: -2.5%
- Central Ferry-LoMo
 - Total Direct Capital: \$90 million
 - Average MW: 200
 - Average Revenue Req: \$10.9 million
 - Rate Impact: 1.3%

*Authorized TSRs were not included in this analysis.



Rate Impact – 5 year Average*: Status Quo

- Base Case: NOS 2008 and NOS 2010 Projects.
 - Total Direct Capital: \$973.6 million
 - Average MW: 8,813
 - Average Revenue Req: \$128.7 million
 - Rate Impact: 6.2%
- Big Eddy-Knight only
 - Total Direct Capital: \$185.5 million
 - Average MW: 3,385
 - Average Revenue Req: \$24.7 million
 - Rate Impact: -2.5%
- Central Ferry-LoMo
 - Total Direct Capital: \$90 million
 - Average MW: 200
 - Average Revenue Req: \$11.4 million
 - Rate Impact: 1.6%

*Authorized TSRs were not included in this analysis.



Rate Impact - 5 year Average*: Under PTSA Termination Scenario

- Base Case: NOS 2008 and NOS 2010 Projects.
 - Total Direct Capital: \$973.6 million
 - Average MW: 6,863
 - Average Revenue Req: \$128.7 million
 - Rate Impact: 10%
- Big Eddy-Knight only
 - Total Direct Capital: \$185.5 million
 - Average MW: 2,185
 - Average Revenue Req: \$24.7 million
 - Rate Impact: **-.5%**
- Central Ferry-LoMo
 - Total Direct Capital: \$90 million
 - Average MW: 400
 - Average Revenue Req: \$11.4 million
 - Rate Impact: 1.5%

*Authorized TSRs were not included in this analysis.



Cost Calculations for Termination

- Considerations for inclusion in calculation
 - Costs of developing and running NOS.
 - Include any costs associated with restudies (CIFA or Cluster Study)
 - Costs for all three NOS cycles should be included for each TSR due to '08 efforts
 - Should costs be spread across all NOS enabled MWs or just NOS MWs needing new infrastructure (authorized TSRs would be excluded)?
 - Project costs to date and forecasted project costs for which BPA is already committed.



Cost Calculations for Modification

- If project does not go forward on original schedule:
 - Pro rata share of NOS operating costs?
 - Charge carrying costs associated with delaying the project?
- If project goes forward on original schedule:
 - Pro rata share of NOS operating costs?
 - Charge same as deferral costs?
 - For new fiscal years in which they would have paid revenue to BPA under their previously requested start date?



Next Steps

- **Goal is to complete by the end of December 2011.**
- September 14: Obtain customer feedback on principles, criteria and timeline.
- Late-September: Provide customer input on current principles to management
- October 5: Further refine principles and provide drafts to customers
- October 5: Develop costs and cost methodology (for each project and for NOS process in general)
- Early-November: Potentially hold a window to obtain maximum level of interest

