

PTSA Reform:
Review of Proposed Term Sheets
EDPR

November 27, 2012

EDPR Proposal: Term Sheet Overview

- Term Sheet consists of a package of 795 MW broken down into two major parts:
 - Part I – 300 MW (6 PTSAs) of terminated contracts.
 - Part II – 495 MW (9 PTSAs) with a customer option for redirected capacity of either 2.5 or 5 years (with roll-over).
- Summary of Term Sheet Value Proposition
 - Part I – Combination of Performance Assurance & Returned AFC
 - Part II – Transmission Revenue, Combination of Performance Assurance, Returned AFC & Foregone LGIA Credits.
- Big Eddy-Knight Effect
 - Due to the updated construction schedule and associated energization date, minimum duration for TSRs that require Big Eddy-Knight have been reduced to 3.5 years from the original 5 year duration.

Proposal Financial Table - Termination

(offsets to net present value)

Termination (300 MW)	
Value of Original Contract (000)	
NPV of 5 Year Contract	\$ 18,191
Reduction in Contract Term due to BEK Delay	\$ (3,788)
NPV of associated SDD	\$ (681)
Total Value of Original Contract	\$ 13,722
Value Associated With Termination	
NPV of Credit for Value for Returned AFC*	\$ 9,049
300 MW Performance Assurance (PA)	\$ 4,673
Total Value of Termination	\$ 13,722

Proposal Financial Table - Redirects

Redirect (495 MW)

Assumes Termination Option at 2.5 Years is Exercised (000)

NPV of 5 Year Contract	\$	30,425
Reduction in Contract Term due to BEK Delay	\$	(5,304)
Total Value of Original Contract	\$	25,121

Value Associated With Redirects

NPV of 2.5 Years of Service	\$	16,910
NPV of Pro-Rated Performance Assurance	\$	2,124
NPV of Released AFC	\$	850
NPV of Foregone Transmission Credits	\$	5,237
Total Value of Termination	\$	25,121

EDPR Proposal: Scenario Comparison

- Part I: Terminate 300 MW (6 PTSAs)
 - Value to region for Termination = 300 MW of Performance Assurance + Returned AFC

Part I: 300 MW Associated with Termination				
	Scenario 1	Scenario 2: Proposal	Scenario 3	
	3.5 Years of Service (No - Deferrals)	Service Termination	Deferral Then Default	
1) NPV of Adjusted Total Revenue	\$ 13,722	\$ -	\$ 450	
2) NPV of Performance Assurance	\$ -	\$ 4,673	\$ 2,573	
3) NPV of Returned AFC*	\$ -	\$ 9,403	\$ -	
4) Value of Scenario	\$ 13,722	\$ 14,076	\$ 3,023	
5) Difference from Scenario 1	\$ -	\$ 354	\$ (10,699)	

* Returned AFC may exceed term sheet value. Term sheet AFC value reflects amount BPA was willing to credit in the overall package.

EDPR Proposal: Scenario Comparison

- Part II: Redirect 495 MW (9 PTSAs) at a minimum term of 2.5 years with an option to extend for 2.5 years with rollover
 - Value to region for Redirects = 495 MW revenue (2.5 year term) + Returned AFC + Avoided GI Credits + either:
 - Alternative A: weighted Performance Assurance + Returned AFC or
 - Alternative B: 495 MW revenue (additional 2.5 year term).

Part II: 495 MW Associated with Redirect

	Scenario 4	Scenario 5: Alternative A	Scenario 6: Alternative B	Scenario 7
	3.5 Years of Service (No - Deferrals)	2.5 Years Then Terminates	5 Years of Service	Deferral Then Default
1) NPV of Adjusted Total Revenue	\$ 25,121	\$ 16,910	\$ 30,425	\$ 2,221
2) NPV of Performance Assurance	\$ -	\$ 2,124	\$ -	\$ 4,412
3) NPV of Returned AFC	\$ -	\$ 850	\$ -	\$ -
4) Foregone LGIA Credits *	\$ -	\$ 5,355	\$ 5,355	\$ 5,355
5) Value of Scenario	\$ 25,121	\$ 25,239	\$ 35,780	\$ 11,988
6) Difference from Scenario 4	\$ -	\$ 118	\$ 10,659	\$ (13,133)

* Term sheet Foregone LGIA Credits value reflects amount BPA was willing to credit in the overall package.

Conclusion

- BPA supports the proposed term sheet because...
 - The proposal provides value to keep the region whole starting with net present value.
 - Estimated value of released AFC is based on methodology developed for PTSA reform.
 - PTSAs under the Redirect scenario could be transferred to a party who has a use for the transmission.
 - The minimum threshold of Performance Assurance related to PTSA terminations is maintained.
 - Potential issues regarding unwanted transmission are proactively addressed.

Next Steps

- BPA will hold a further discussion of this proposal on December 5th.
- BPA is seeking customer comments. Comments are due on December 14th.
- May hold additional meetings to review additional term sheets as necessary.
- Information will be posted to the PTSA Reform [web site](#).
- Please provide written comments to techforum@bpa.gov.

Financial Assumptions

(Applied to Analysis on Slides 3 & 4)

1. Discount rate of 9% is assumed.
2. Performance Assurance associated with termination is calculated based on unused transmission.
3. Released AFC is assumed to be resold randomly within 10 years of release or resold after 1 year of being available.
4. In response to EDPR's PTSA reform proposal, BPA limited Foregone Transmission Credits to those within the sole control of EDPR (Saddle Mountain and Antelope Wind GI Projects). In Addition, the amount of transmission credits is limited based on the expected length of service taken.
5. Transmission Credits are analyzed with a 50% probability of occurring.