

Network Open Season/Generator Interconnection Reform

July 20, 2011

PTSA Commitment Changes



Describing the Issue

- Several customers have expressed interest in modifying their current PTSA commitments

Potential Modifications to Existing PTSA's

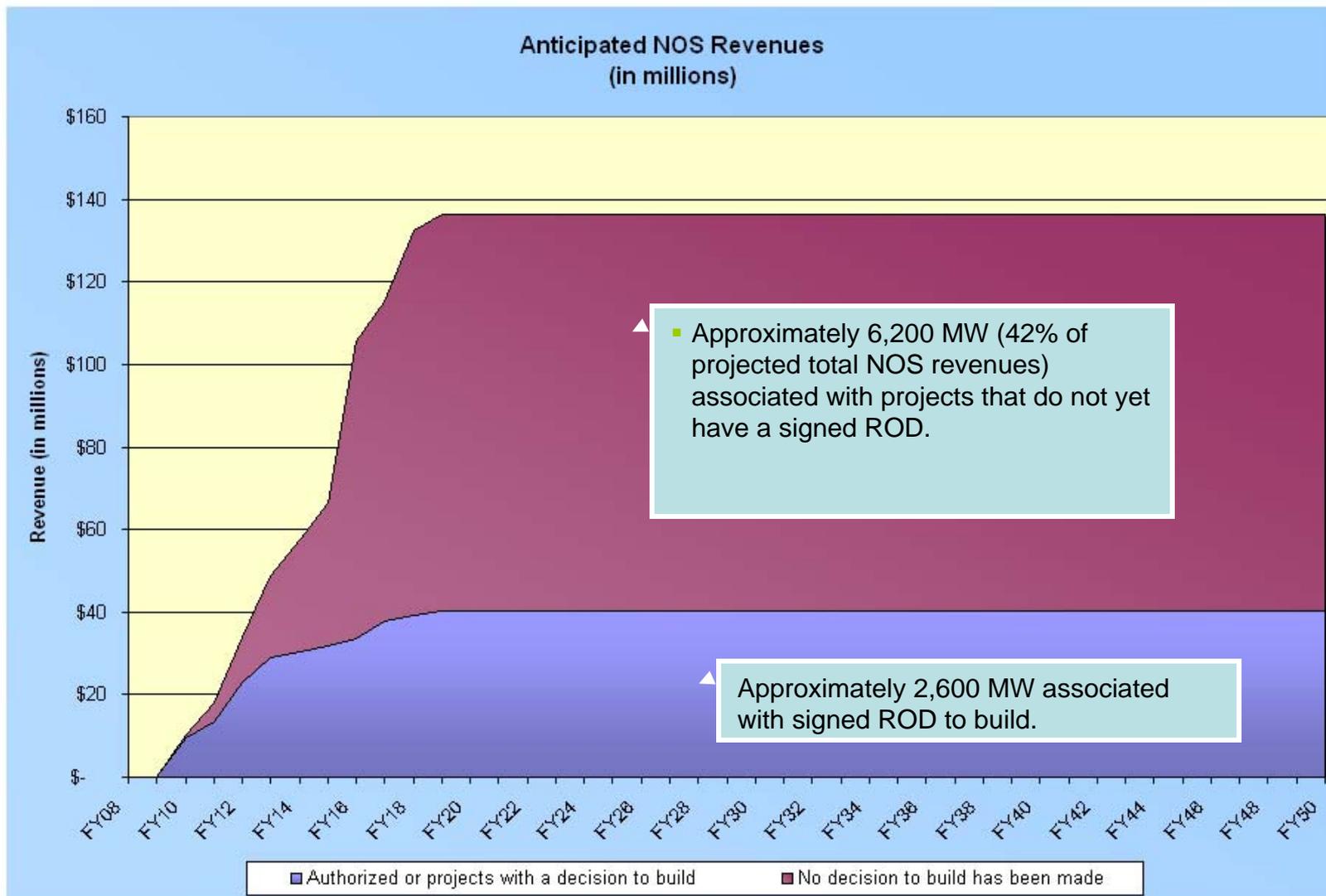
- PTSA are perceived to not have the flexibility to meet the changing business needs of customers. Customers have indicated interest in more flexibility to:
 - Transfer the PTSA:
 - Per Section 12 of the PTSA: "Assignment: The Customer shall not assign this Agreement or any of its rights hereunder unless it obtains consent in writing from Bonneville; such consent shall not be unreasonably withheld."
 - Modify terms:
 - Customers may want to modify terms (source; sink; start; end date; capacity)
 - Terminate the PTSA:
 - Customers may want to terminate PTSA's
 - Are other flexibilities desired?

Risks Associated with Changes

- Costs Shifts to others to the extent we have deferrals, changed terms or allow termination
- Cluster study may need to be re-run reflecting changes to demand, POR/POD, duration, commencement and termination dates, etc...
 - Changes in plan of service
 - Changes may be inconsistent with previous rolled-in rates determination
 - Ongoing NEPA processes may need to start over
 - Others ...

The viability of projects for remaining customers could be affected
- Rate impacts
- Impacts to builds outside BPA's system

Projected Revenue Associated with Current & Potential Builds

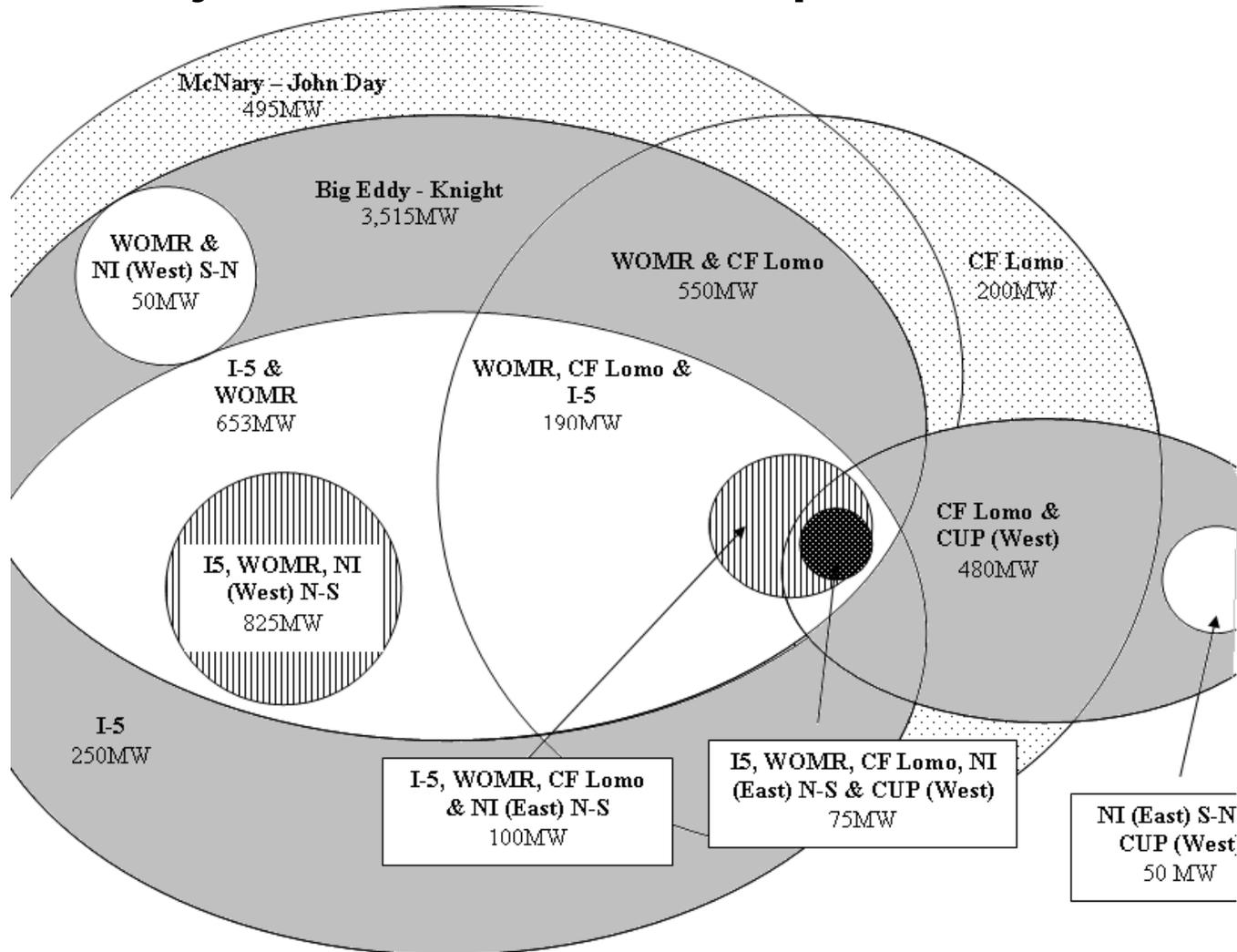
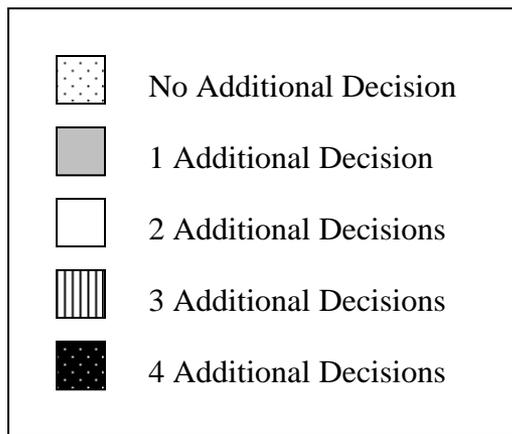


•CF Revenues are shown based on the build they require for firm service

•Forecast includes expected deferrals based on Rate Case forecast for wind interconnections

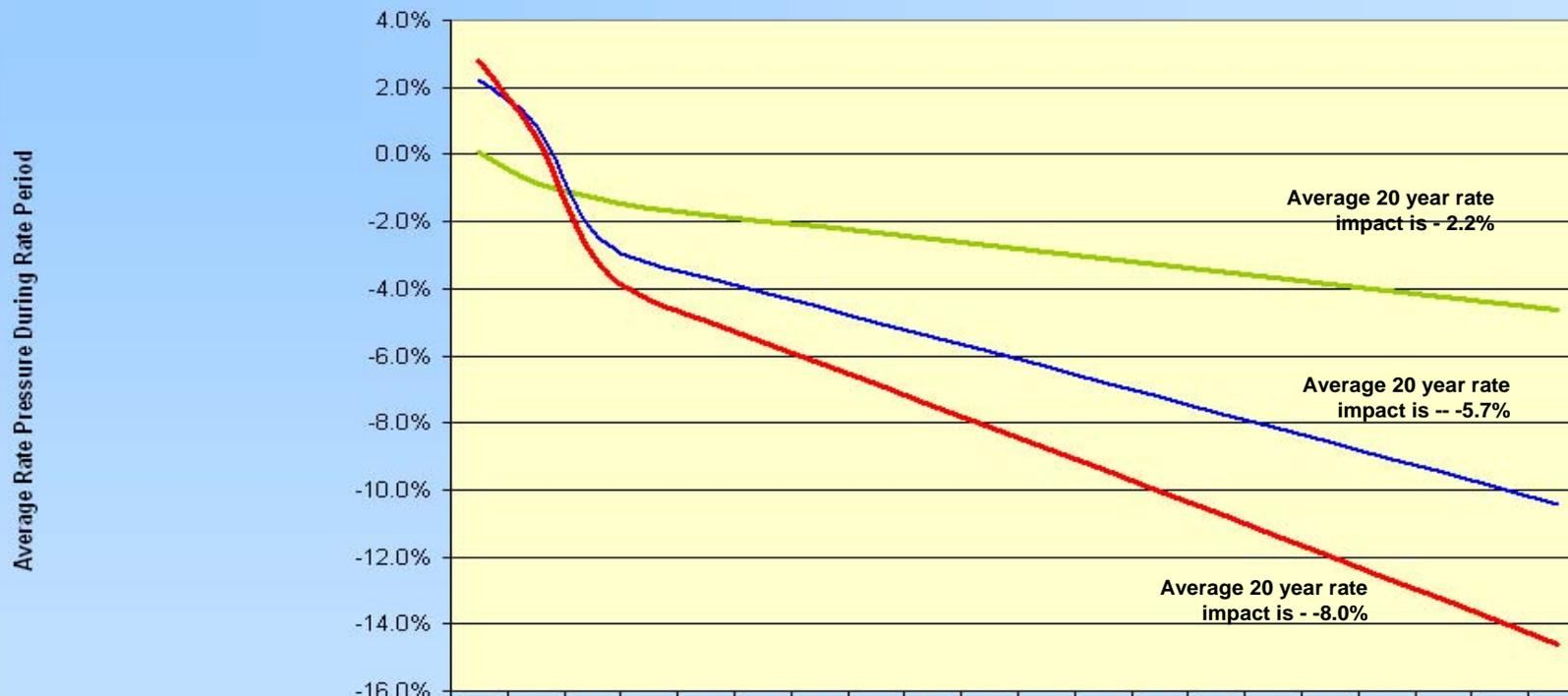
NOS Project Relationships

Additional Decisions to Build Required before MW can be offered:



Rate Impacts with and without a Decision to Build

Average Rate Pressure per Rate Period for Cluster Groups with ROD(s) signed and without ROD(s) signed



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Build Decision Has Been Made	0.1%	-0.8%	-1.3%	-1.6%	-1.8%	-2.0%	-2.2%	-2.3%	-2.5%	-2.7%	-2.9%	-3.1%	-3.3%	-3.5%	-3.7%	-3.8%	-4.0%	-4.2%	-4.4%	-4.6%
Build Decision Has NOT Been Made	2.2%	0.9%	-2.3%	-3.2%	-3.7%	-4.1%	-4.6%	-5.0%	-5.4%	-5.9%	-6.3%	-6.8%	-7.2%	-7.7%	-8.1%	-8.6%	-9.0%	-9.5%	-10.0	-10.4
All NOS Requests*	2.8%	0.6%	-3.0%	-4.3%	-5.0%	-5.6%	-6.2%	-6.9%	-7.5%	-8.1%	-8.8%	-9.4%	-10.0	-10.7	-11.3%	-12.0	-12.6	-13.3	-13.9	-14.6

- CF Revenues are shown based on the build they require for firm service
- Forecast includes expected deferrals based on Rate Case forecast for wind interconnections
- Assumes those with rollover rights will execute those rights indefinitely.

*All NOS Requests does not include request associated with projects that did not move through NEPA at rolled in rates

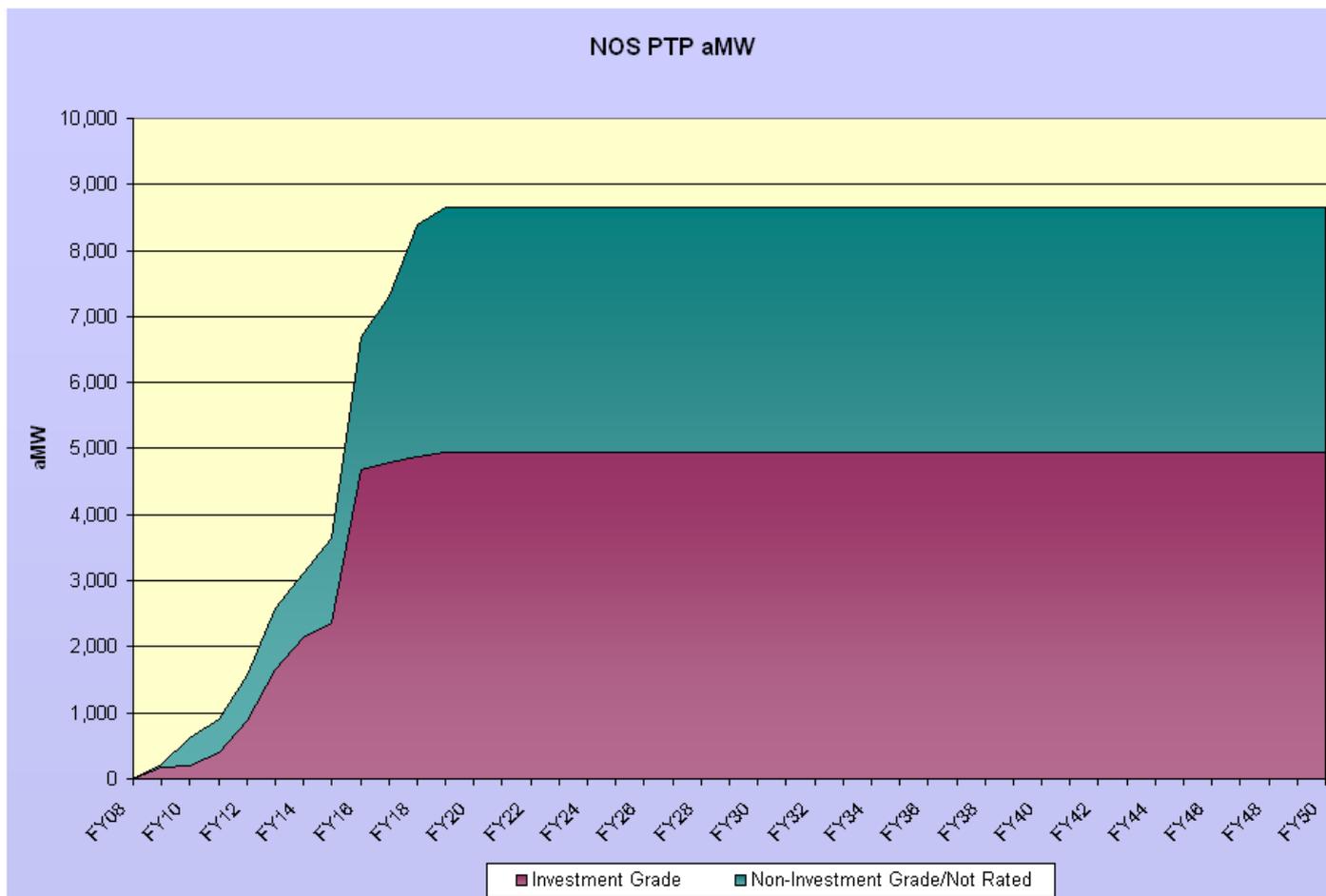
Potential Rate Impacts

- As we make our decision to build or not, there may be some effects on rates
- Timing of PTSA terminations may influence project rate impacts and build decisions

Risk of Default Profile

- 41% of the potential revenues are from non-investment grade participants
- 59% of the potential revenues are from investment grade participants
- Allowing PTSA termination prior to build decision may reduce risk of future defaults and reduce risk of stranded investments

Credit Risk Profile of NOS Customers



	# Customers	MWs	Share of PTP MW	Default Probability			
				1 yr ¹	5 yr ¹	10 yr ¹	15 ¹
Investment Grade	14	5,115	59%	0.13%	1.21%	2.68%	3.83%
Non-Investment Grade / Not Rated	11	3,605	41%	4.36%	17.48%	25.16%	29.40%

Changes to Renewable Incentives May Impact Termination Decisions

Economic incentives for renewables may change:

- Federal: Production and Investment Tax Credit programs will expire. Will they be renewed?
- NW and California renewable portfolio standards seem to be stable. No indication that NW or California RPS will be rolled back (may be increased again in California?)
- State tax credits: Oregon capped renewable tax credits at lower level, but did not eliminate them

Options under Consideration

- Possibilities under consideration regarding PTSA flexibility:
 - No changes to PTSAs
 - Allow change or termination until a certain date (e.g., prior to decision to build)
 - Define an open window in NOS for changes to PTSA.
 - Capacity rationalization: BPA could pair the buyer and seller
 - Allow a pro-rata MW reduction up to specified limit
 - Others?