

**PTSA Reform:
Review of Proposed Term Sheets
Iberdrola
December 3, 2012**



Iberdrola Proposal: Term Sheet Overview

- Term Sheet consists of 400 MW :
 - 200 MW currently held by Iberdrola (3 TSRs)
 - 200 MW currently held by another entity, to be transferred to Iberdrola (4 TSRs)
 - Proposal provides for three options (at customer's choice)
 - 1) a two-parent redirect of 400 MW to achieve a 200 MW redirect with termination of 200 MW of contract demand
 - 2) Take all 400 MW without redirect
 - 3) Take Iberdrola's original 200 MW of TSRs and terminate some or all of the transferred 200 MW

Iberdrola Proposal: Option 1

- Option 1: a two-parent redirect of 400 MW to achieve a 200 MW redirect with termination of 200 MW of contract demand
 - Value to region for Termination = Combination of revenue from 200 MW, estimated value of released AFC, performance assurance for 200 terminated MW, and extension (rollover) of redirected contract

Value of Original Contract (\$000)	
1	Contract M W s 4 0 0 M W
2	Present Value ¹ of Original Contracts \$ 2 3 , 1 0 0
Value of Option 1 (\$000)	
3	Present Value ¹ of Transferred 200 M W \$ 1 1 , 5 5 0
4	NPV ¹ of Released AFC ² \$ 2 , 7 2 8
Value of Redirect & AFC \$ 1 4 , 2 7 8	
6	Value Required to Remain Whole \$ 8 , 8 2 2
Value of Planned Additional Customer Actions (\$000)	
7	Value of 200 M W Performance Assurance \$ 3 , 1 1 5
8	NPV ¹ of 5 Year Contract Extension* \$ 7 , 5 0 7
Value to Region of Additional Customer Actions \$ 1 0 , 6 2 2	
Total Value of Proposal \$ 2 4 , 9 0 0	

Iberdrola Proposal: Option 2

- Option 2 : Take all 400 MW without redirect
 - Value to region = Revenue from 400 MW of service

Value of Original Contracts (\$000)		
1	Contract MWs	400 MW
2	NPV¹ of Original Contracts	\$ 23,100
Value of Option 2 (\$000)		
3	NPV ¹ of 400 MW	\$ 23,100
4	Total Value of Proposal	\$ 23,100

Iberdrola Proposal: Option 3

- Option 3 : Take Iberdrola’s original 200 MW of TSRs and terminate some or all of the transferred 200 MW
 - Value to region = Combination of revenue from 200 MW of service (or more if only partial termination of 200 MW), amount of performance assurance for terminated MW, and estimated value of released AFC

Value of Original Contracts (\$000)		
1	Contract MWs	400 MW
2	NPV¹ of Original Contracts	\$ 23,100
Value of Option 3 (\$000)		
3	NPV ¹ of Retained 200 MW	\$ 11,550
4	Value of 200 MW Performance Assurance	\$ 3,115
5	NPV ¹ of Credit for Value of Released AFC ^{2*}	\$8,435
6	Total Value of Proposal	\$ 23,100

Conclusion

- BPA supports the proposed term sheet because...
 - The proposal keeps begins with the net present value of the current contract.
 - The released AFC is valued consistent with the methodology developed for PTSA reform.
 - Redirect, if exercised would provide for desired service
 - The minimum threshold of performance assurance for PTSA termination is maintained.
 - The flexibilities provided for allow for sound outcomes for the region.

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.

Comment on Two-Parent Redirect

- BPA recognizes that two-parent redirects are an approach to redirect that has not been used previously.
- If BPA makes a decision to move forward with this proposal, BPA will begin a stakeholder process to define how structure provision of two-parent redirects for inclusion in its business practices
- If you have a business need for a two-parent redirect in the interim, let us know.