

BPA Preliminary and Non-Binding Counterproposal
Provided to EDP Renewables North America LLC for Settlement Purposes as part of
PTSA Reform Process
November 21, 2012

Disclaimer: This counterproposal includes preliminary and non-binding terms proposed by BPA in response to the EDP Renewables North America LLC (EDPR) proposal described below. BPA is providing this preliminary counterproposal for settlement purposes only, and nothing in this document waives any of BPA's or EDPR's rights under the PTSAs or any other agreement between BPA and EDPR. In addition, nothing in this document constitutes agreement with any of the facts, assertions, or representations in EDPR's proposal.

BPA is providing this preliminary counterproposal as part of the "PTSA Reform" process. As BPA has described previously in this process, the terms of any agreement in principle regarding termination or modification of a PTSA will be subject to public review and comment prior to BPA deciding to enter into a final agreement. BPA will not decide whether to enter into any final agreement regarding PTSA termination or modification on any terms, including the terms in this preliminary counterproposal, until after providing an opportunity for public comment. This process is subject to change as circumstances warrant.

Outline of BPA's Preliminary, Non-Binding PTSA Reform Counterproposal

BPA has developed this preliminary counterproposal with the understanding that the overall goal of EDPR's proposal is to result in redirect of the maximum possible portion of their TSRs listed below with modified points of receipt (POR) and/or points of delivery (POD) such that the final TSRs reflect what is shown in Table 3. BPA has also developed this counterproposal to reflect its understanding that EDPR or its transferee is committed to taking service under these redirects for the contract term, subject to a one-time right to terminate each TSR two and one-half years after commencement of service under that TSR.

Following a final decision by BPA to enter into a written agreement reflecting the terms in this proposal, BPA would agree to process the POR and POD modifications proposed by EDPR, subject to the terms and conditions described below.

Summary of EDPR's Proposal

EDPR submitted a proposal regarding their desire for termination of the PTSAs listed in Table 1 below and for redirects of the POR and/or POD associated with their PTSAs listed in Table 2, below.

Table 1 – PTSAs/TSRs currently held by EDPR (for Termination)

PTSA	AREF	MW	POR	POD	Conformed Source/POR	Sink	Current Start Date	Term (yrs)
08TX-13510	77312660	50	SLATT	JOHNDAY	SLATT500/SLATT	JOHNDAYTINTI500	11/1/2013	5
08TX-13515	72157334	50	NEWPOINT	JOHNDAY	SLATT500/SLATT	JOHNDAYINTI500	11/1/2011	5*
08TX-13514	72157322	50	NEWPOINT	BIGEDDY	SLATT500/SLATT	BIGEDDY500CELO	11/1/2011	5*
08TX-13512	72157224	50	NEWPOINT	BIGEDDY	SLATT500/SLATT	BIGEDDY500CELO	11/1/2011	5*
08TX-13517	72157349	50	NEWPOINT	BIGEDDY	MCNARY500HPP/ HERMISTONCPN	BIGEDDY500CELO	11/1/2011	5*
08TX-13518	72157352	50	NEWPOINT	BIGEDDY	MCNARY500HPP/ HERMISTONCPN	BIGEDDY500CELO	11/1/2011	5*

*These PTSAs currently have a right to decrease the duration of the TSRs to reflect the delay in the energization date of Big Eddy-Knight.

The net present value (NPV) of the above six (6) TSRs for five (5) years using a 9% discount rate is \$18,191,000.

Table 2 – PTSAs/TSRs Currently Held by EDPR (for Redirect)

PTSA	AREF	MW	POR	POD	Conformed Source/POR	Sink	Current Start Date	Term (yrs)
08TX-13520	72157356	50	NEWPOINT	BPAT-SCL	MCNARY500HPP/ HERMISTONCPN	MAPLEVY230SCL	11/1/2011	5*
08TX-13521	72157359	50	NEWPOINT	BPAT.CHPD	MCNARY500HPP/ HERMISTONCPN	COLMBIA230CHPD	11/1/2011	5*
08TX-13522	72157362	50	NEWPOINT	BPAT.CHPD	MCNARY500HPP/ HERMISTONCPN	COLMBIA230CHPD	11/1/2011	5*
08TX-13523	72157367	50	NEWPOINT	BPAT.CHPD	MCNARY500HPP/ HERMISTONCPN	COLMBIA230CHPD	11/1/2011	5*
08TX-13524	72157369	50	NEWPOINT	BPAT.CHPD	MCNARY500HPP/ HERMISTONCPN	COLMBIA230CHPD	11/1/2011	5*
08TX-13519	72157354	50	NEWPOINT	BPAT-SCL	MCNARY500HPP/ HERMISTONCPN	MAPLEVY230SCL	11/1/2011	5*
08TX-13513	75702820 77312652	100	BPAT.GCPD	NWH	ROCKYFORD230/ BPAT.GCPD	NWMRKTHUB(NWH)	11/1/2013	5
08TX-13509	77320701	45	SLATT	BPAT.CHPD	SLATT500/SLATT	COLUMBIA230CHPD	11/1/2013	5
08TX-13516	72157341	50	NEWPOINT	BPAT.CHPD	SLATT500/SLATT	COLUMBIA230CHPD	11/1/2011	5*

*These PTSAs currently have a right to decrease the duration of the TSRs to reflect the delay in the energization date of Big Eddy-Knight.

The net present value (NPV) of the above nine (9) TSRs for five (5) years using a 9% discount rate is \$30,425,000.

The remainder of this term sheet is structured in two parts. The first portion describes details of the proposal related to termination and the second portion describes details of the proposal related to redirects.

Part 1: Financial Terms and Conditions for Termination of PTSAs and Associated TSR

As described above, the NPV for the 300 MW that EDPR would like to terminate is \$18,191,000.

- For the TSRs that need the Big Eddy-Knight project, BPA assumes for purposes of analysis that Big Eddy-Knight will be completed in December of 2014, and that transmission service will commence on January 1, 2015. BPA previously estimated that transmission service for the TSRs that need Big Eddy-Knight would commence in April 2013. EDPR has the right under the PTSAs (section 6(a)(2)) to shorten the term of service because of these delays in the energization date of that project. For purposes of calculating the NPV of the TSRs, BPA will assume that EDPR will exercise the right to shorten the term of service. That right applies to all of the TSRs seeking termination in this proposal except for 08TX-13510. As a result, the NPV for all applicable TSRs will reflect an assumption of exercise of the right to shorten those TSRs' durations from 5 to 3.5 years. The NPV of a 1.5 year reduction in the term length is \$3,788,000.
- BPA will apply the Short Distance Discount (SDD) to the calculation of the NPV to PTSA 08TX-13510, AREF 77312660, as it qualifies for that discount.
- After subtracting the NPV of the right to reduce the contract duration and reducing the NPV for the SDD, the NPV is \$13,722,000.
- EDPR and BPA will agree to terminate PTSAs 08TX-13510, 08TX-13512, 08TX-13514, 08TX-13515, 08TX-13517, and 08TX-13518 (a total of 300 MW), as listed in Table No. 1 and agree that BPA can take the OASIS actions necessary to annul or otherwise remove the associated TSRs from BPA's transmission service request queue on OASIS. In doing so, EDPR will agree to waive and relinquish all rights associated with these PTSAs and associated TSRs and with all MW of capacity currently encumbered by those TSRs.
 - EDPR would make a single, lump sum payment to BPA in the amount of \$4,673,000 for the termination of the PTSAs in Table 1. This amount is reflective of the amount of performance assurance associated with the 300 MW of PTSAs.

- BPA would release to EDPR the performance assurance associated with the PTSAs that are terminated following receipt of the lump sum payment required for termination.
- For the purposes of settlement and PTSA reform only, BPA developed a methodology for valuing Available Flowgate Capacity (AFC) released to the market. According to this methodology, BPA estimates these TSRs to provide 204 MW of returned AFC. Using the methodology and applying a 9% discount rate, BPA is willing to provide a credit of \$9,049,000. While the methodology for crediting returned AFC could provide opportunity to credit a higher value, this is the maximum credit that BPA is willing to provide for returned AFC given the principle that performance assurance is the minimum.
- EDPR will pay a deferral fee of \$49,428 on or before December 3, 2012 for exercise of deferral on the TSR associated with PTSA 08TX-13510. If BPA makes a final decision to enter into an agreement reflecting the terms of this proposal by December 31, 2012, BPA and EDPR propose to credit this amount against the required settlement amount due to the proximity in time to the proposed termination date

**Attachment to BPA’s Preliminary and Non-Binding Counterproposal
PTSA Reform Process**

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

Termination fee **\$4,673**

*While the methodology for crediting returned AFC could provide opportunity to credit a higher value, this is the maximum credit that BPA is willing to provide for returned AFC given the principle that performance assurance is the minimum.

Assumptions of Financial Analysis

- 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 require 1 year before resold.
- 4) Lower range represents risk adjusted AFC assumed to be resold randomly within 10 years of release.

Part 2: Redirect Terms and Conditions

- EDPR previously submitted transmission service requests to modify the PORs and PODs of the requests in Table No. 2 (Redirects). The Redirects would modify the PORs and PODs of the TSRs in Table No. 2, resulting in the TSRs with the PORs and PODs shown in Table No. 3.
- EDPR would agree to waive and relinquish any rights to more than one deferral of commencement of service (under OATT section 17.7) for the TSRs listed in Table 3 other than those associated with 08TX-13509 and 08TX-13513. The TSRs listed in Table 3 (other than those associated with 08TX-13509 and 08TX-13513) must take service within one year of the later of energization of Big Eddy-Knight or January 1, 2015 (the current estimated service commencement date based on the schedule for Big Eddy-Knight). This waiver would continue to apply to the TSRs in the event of transfer to a third party. Deferral rights related to 08TX-13509 and 08TX-13513 are as described in Table 3. Those rights reflect deferrals taken to date.
- For the purpose of evaluating and processing the Redirects, BPA will follow its applicable redirect processing business practice. These resultant TSRs have a combined total demand of 495 MW. Redirect of 95 of these MW to the desired POD can be accomplished using BPA's current composite POD redirect rights for PTSAs. For that reason, its released AFC is excluded from the financial consideration.

The TSRs that would result from Redirects of the TSRs in Table No. 2 will remain subject to the associated PTSAs and service cannot commence until the Big Eddy-Knight project is energized unless AFC otherwise becomes available in queue order.

- EDPR may transfer the TSRs that would result from the Redirects, and the PTSAs, to a third party. To reflect this possibility, EDPR or the third party may each be referred to as "the customer" below.

Financial Terms and Conditions for TSRs Resulting from Redirects

The NPV of the nine (9) TSRs in Table No. 2 which are proposed for redirect and which have a five (5) year term is \$30,425,000 using a 9% discount rate.

As discussed above, for the TSRs that need the Big Eddy-Knight project, the customer has the right under the PTSAs (section 6(a)(2)) to shorten the term of service because of delays in the energization date of that project. For purposes of calculating the NPV of the TSRs resulting from the Redirects, BPA will assume that the customer will exercise the right to shorten the term of service. As a result, the NPV for all TSRs in Table No. 2 that are noted as having the right to decrease their duration will reflect an assumption of exercise of the right to shorten those TSRs' durations.

The TSRs resulting from the Redirects will retain terms of five years each subject to existing rights under the PTSAs referenced above; but the customer may elect to terminate the TSRs after

taking two and one half years of service. This will be a one-time election to terminate as to each TSR. If the customer wishes to exercise this right, it must provide BPA with written notice no later than two (2) years after commencement of service. If the customer chooses to terminate the TSRs, the customer will pay a termination fee, described below, to BPA. If the customer takes service for the full contract term, no termination fee would apply.

If the customer does not terminate the TSRs after taking two and one half years of service, and instead takes service for the full contract term, the TSRs remain eligible for rollover rights under OATT section 2.2. In order to exercise rollover rights, the customer must comply with the requirements of OATT section 2.2 and all applicable business practices.

For purposes of calculating the NPV used in the determination of the termination fee, BPA will assume that the customer will choose to terminate the TSRs after taking two and one half years of service. The NPV of the two and one half year revenue stream based on 495 MW of transmission service (discounted at 9%) is \$16,910,000.

- Using the methodology that BPA developed to value returned AFC for settlement purposes only and as part of the PTSA reform process, BPA identified approximately 154 MW of returned AFC that would be returned to the market. The NPV of the 154 MW of AFC returned with a 9% discount rate is \$850,000. Note that BPA is not providing any value for released capacity for the TSR that is using only its right to do the “automatic POD redirect” since redirect of that TSR is not contingent upon outcome of PTSA reform.
- If the customer takes only two and one half years of service, the customer would pay to BPA a termination fee reflecting a weighted pro rata portion of the amount of the associated performance assurance. That payment would be structured as follows:
 - 145 MW executed service agreements based on a duration of five (5) years has a termination payment of \$947,000;
 - 350 MW (assumption based on the customer’s right to reduce service duration to three and one half years) has a termination payment of \$1,177,000.

If only two and one half years of service is taken, the total termination fee for all 495 MW is \$2,124,000. If the customer chooses to terminate some, but not all of the TSRs, the resultant termination fee will be prorated to reflect the amount of MW of service terminated. See Table 5 for termination amounts applicable to each TSR.

- EDPR agrees to withdraw the Generator Interconnection (GI) requests associated with the projects for which BPA is providing some value for avoided generator interconnection costs. As a result, EDPR will withdraw interconnection requests G0206, G0293, and G0340 within 30 days of execution of the agreement that captures these terms set forth herein.
- Due to the fact that the network upgrades for G0206, G0293, and G0340 were solely related to those GI requests, and for the purposes of settlement and PTSA reform

If BPA makes a decision to proceed with this proposal, BPA and EDPR agree to work in good faith to finalize and implement the settlement terms set forth in this term sheet as expeditiously as possible.

EDPR PTSAs and TSRs Resulting from the Redirects and Termination

- Modification and termination of EDPR's PTSAs and TSRs consistent with this preliminary counterproposal would result in PTSAs and TSRs as shown in Table 4.

Table 3 – Final Results of EDPR PTSA Reform Proposal (Terminations and Redirects)

PTSA	Parent AREF	MW	Requested Redirect Contract POR (Final)**	Requested Redirect Contract POD (Final)**	Current Start Date	Requested Start Date (Final)	Term (yrs)	Proposal Action (Final)
08TX-13510	77312660	50	N/A	N/A	N/A	N/A	N/A	TERMINATED
08TX-13515	72157334	50	N/A	N/A	N/A	N/A	N/A	TERMINATED
08TX-13514	72157322	50	N/A	N/A	N/A	N/A	N/A	TERMINATED
08TX-13512	72157224	50	N/A	N/A	N/A	N/A	N/A	TERMINATED
08TX-13517	72157349	50	N/A	N/A	N/A	N/A	N/A	TERMINATED
08TX-13518	72157352	50	N/A	N/A	N/A	N/A	N/A	TERMINATED
08TX-13520	77110505 (R/POD) 77120041 (R/POR) 72157356	50	SLATT	BETHEL230	11/1/2011	ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015	5	FIRM SERVICE (REDIRECT SLATT-BETHEL) ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015* 1 YEAR DEFERRAL
08TX-13521	77110517 (R/POD) 77120049 (R/POR) 72157359	50	SLATT	BETHEL230	11/1/2011	ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015	5	FIRM SERVICE (REDIRECT SLATT-BETHEL) ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015* 1 YEAR DEFERRAL
08TX-13522	77110527 (R/POD) 77110528 (R/POR) 72157362	50	SLATT	BETHEL230	11/1/2011	ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015	5	FIRM SERVICE (REDIRECT SLATT-BETHEL) ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015* 1 YEAR DEFERRAL
08TX-13523	77110542 (R/POD) 77110564 (R/POR) 72157367	50	SLATT	BETHEL230	11/1/2011	ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015	5	FIRM SERVICE (REDIRECT SLATT-BETHEL) ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015* 1 YEAR DEFERRAL
08TX-13524	77110570 (R/POD) 77110586 (R/POR) 72157369	50	SLATT	BETHEL230	11/1/2011	ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015	5	FIRM SERVICE (REDIRECT SLATT-BETHEL) ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015* 1 YEAR DEFERRAL
08TX-13519	77110490 (R/POD) 77110498 (R/POR) 72157354	50	SLATT	BETHEL230	11/1/2011	ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015	5	FIRM SERVICE (REDIRECT SLATT-BETHEL) ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015* 1 YEAR DEFERRAL

08TX-13513	77566954 (R/POD) 77150933 (R/POR) 77312652 (D) 77571016	100	SLATT	BETHEL230	11/1/2013	11/1/2013	5	CONDITIONAL FIRM ON WOS UNTIL BE-KNIGHT IS ENERGIZED IN DEFERRAL WITH 2 DEFERRALS LEFT
08TX-13509	77320701	45	SLATT	BETHEL230	11/1/2013	11/1/2013	5	COMPOSITE POD BY 4/1/2013 IN DEFERRAL WITH 3 DEFERRALS LEFT
08TX-13516	72157341	50	SLATT	COLUMBIA230CHPD	11/1/2011	ON THE LATER OF: BE- KNIGHT ENERGIZATION OR 11/1/2015	5	FIRM SERVICE (REDIRECT SLATT-BETHEL) ON THE LATER OF: BE-KNIGHT ENERGIZATION OR 1/1/2015* 1 YEAR DEFERRAL COMPOSITE POD BY 4/1/2013

*These requests are eligible for an offer of conditional firm service. However, per BPA's conditional firm business practice, if the customer does not confirm an initial offer of conditional firm service, there will be no subsequent offer of conditional firm service. Any such offer will be firmed up upon energization of Big Eddy-Knight.

**Reservation Scheduling POR/POD is Slatt/BPAT.PGE

Table 5 – TSR Termination Fees

PTSA	Parent AREF	Termination Fee
08TX-13520	77110505 (R/POD) 77120041 (R/POR) 72157356	\$168,072
08TX-13521	77110517 (R/POD) 77120049 (R/POR) 72157359	\$168,072
08TX-13522	77110527 (R/POD) 77110528 (R/POR) 72157362	\$168,072
08TX-13523	77110542 (R/POD) 77110564 (R/POR) 72157367	\$168,072
08TX-13524	77110570 (R/POD) 77110586 (R/POR) 72157369	\$168,072
08TX-13519	77110490 (R/POD) 77110498 (R/POR) 72157354	\$168,072
08TX-13513	77566954 (R/POD) 77150933 (R/POR) 77312652 (D) 77571016	\$653,122
08TX-13509	77320701	\$293,905
08TX-13516	72157341	\$168,072

Deadline for Response to BPA’s Preliminary Counterproposal

Given the need to continue to move forward in the PTSA Reform process, BPA requires a written response from EDPR to this preliminary proposal no later than 3:00 pm on November 30, 2012. BPA may withdraw this preliminary counterproposal at any time.

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

Termination fee (AFTER 2.5 YEARS OF SERVICE) \$2,124

Assumptions of Financial Analysis

- 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 require 1 year before resold.
- 4) Foregone transmission credits are associated with the G0206, G0293, and G0240 Projects. The amount of transmission credits is based on the expected length of service taken.
- 5) Transmission Credits are analyzed with a 50% probability of occurring.
- 6) Lower range represents risk adjusted AFC assumed to be resold randomly within 10 years of release.

BPA Preliminary and Non-Binding Counterproposal
Provided For Settlement Purposes Only as Part of PTSA Reform Process
November 30, 2012

Disclaimer: This counterproposal includes preliminary and non-binding terms proposed by BPA in response to proposal of BP Wind Energy North America Inc. (BP Wind Energy) described below. BPA is providing this preliminary counterproposal for settlement purposes only, and nothing in this document waives any of BPA's rights under the PTSAs or any other agreement between BPA and BP Wind Energy. In addition, nothing in this document constitutes agreement with any of the facts, assertions, or representations in BP Wind Energy's proposal.

BPA is providing this preliminary counterproposal as part of the "PTSA Reform" process. As BPA has described previously in this process, the terms of any agreement in principle regarding termination or modification of a PTSA will be subject to public review and comment prior to BPA deciding to enter into a final agreement. BPA will not decide whether to enter into any final agreement regarding PTSA termination or modification on any terms, including the terms in this preliminary counterproposal, until after providing an opportunity for public comment. This process is subject to change as circumstances warrant.

Summary of BP Wind's Proposal

On January 20, 2012, BP Wind Energy submitted a proposal for up to 400 MW of mutual termination of eight precedent transmission service agreements (PTSAs) that it signed with BPA as part of BPA's 2009 Network Open Season. BP Wind Energy currently holds the eight PTSAs shown in the Table 1 below. At the time BP Wind Energy signed these PTSAs, it provided \$6,230,400 in performance assurance for the agreements. The PTSAs relate to TSRs that need the Big Eddy-Knight project (as well as the McNary-John Day project).

Table 1 – TSRs held by BP Wind

PTSA	AREF	MW	POR	POD	Conformed Source/POR	SCD	Term
09TX-14285	72490816	50	NEWPOINT	BPAT.PSEI	JOHNDAY500/BPAPOWER	1/1/2010	5 yrs
09TX-14286	72490823	50	NEWPOINT	BPAT.PSEI	JOHNDAY500/BPAPOWER	1/1/2010	5 yrs
09TX-14287	72490826	50	NEWPOINT	BPAT.PSEI	JOHNDAY500/BPAPOWER	1/1/2010	5 yrs
09TX-14288	72490832	50	NEWPOINT	BPAT.PSEI	JOHNDAY500/BPAPOWER	1/1/2010	5 yrs
09TX-14289	72674839	50	NEWPOINT	BPAT.PGE	JOHNDAY500/BPAPOWER	1/1/2010	5 yrs
09TX-14290	72674841	50	NEWPOINT	BPAT.PGE	JOHNDAY500/BPAPOWER	1/1/2010	5 yrs
09TX-14291	72674842	50	NEWPOINT	BPAT.PGE	JOHNDAY500/BPAPOWER	1/1/2010	5 yrs
09TX-14292	72674846	50	NEWPOINT	BPAT.PGE	JOHNDAY500/BPAPOWER	1/1/2010	5 yrs

BPA Preliminary and Non-Binding Counterproposal
Provided For Settlement Purposes Only as Part of PTSA Reform Process
November 30, 2012

BPA Preliminary Counterproposal

For settlement purposes only and subject to the conditions described above, BPA proposes to release BP Wind Energy from its obligations under one or more of the PTSAs listed above and terminate such agreements on the following terms:

- BP Wind Energy would have until September 30, 2013 to notify BPA in writing whether BP Wind Energy is electing to terminate one or more of the eight PTSAs.
- For each PTSA that BP Wind Energy elects to terminate (the “Terminated PTSAs”), BP Wind Energy would make a single, lump sum payment to BPA in the amount of \$778,800.
- BPA would release the performance assurance associated with Terminated PTSA to BP Wind Energy following receipt of the lump sum payment.
- The parties would agree to terminate each PTSA which BP Wind requests terminated by the above deadline.
- BP Wind Energy would relinquish any and all rights to the reserved capacity under the Terminated PTSAs and associated with the requested service.
- BP Wind Energy would agree that BPA can take the OASIS actions necessary to annul or otherwise remove the TSRs associated with each Terminated PTSA from BPA’s transmission service request queue on OASIS.
- The parties would agree to a mutual waiver of all claims, present and future, associated with each Terminated PTSA and service and TSR associated with such Terminated PTSA.
- Neither party would agree to the methodologies or principles of the other party relied on to enter into any agreement, and any agreement would not serve as precedent in the future.
- The terms of any proposed agreement between the parties would be reduced to a draft written agreement. Prior to either party signing a written agreement, the terms of the proposed agreement, or a draft of the written agreement itself, may be publicly disclosed and posted by BPA for public comment and review.
- Prior to signing a written agreement, any agreement in principle would be non-binding and would create no obligations on the part of either party.
- Other standard contract terms and conditions to be negotiated by the parties.

BPA Preliminary and Non-Binding Counterproposal
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November 30, 2012

Financial Analysis of BP Wind Termination Proposal

Value of Original Contract (\$000)		
1	Contract MWs	400 MW
2	Net Present Value of Original Contract	\$ 23,100

Value Associated With Termination		
3	NPV of Returned AFC	\$ 22,411
4	300 MW Performance Assurance	\$ 6,230
5	Total Value of Termination	\$ 28,642

Assumptions

- 1) Discount Rate of 9% Applied
- 2) Released AFC is remarketed January 2015

BPA Preliminary and Non-Binding Counterproposal
Provided to Iberdrola Renewables, LLC for Settlement Purposes
as Part of PTSA Reform Process
Revised - December 3, 2012

Disclaimer: This counterproposal includes preliminary and non-binding terms proposed by BPA in response to Iberdrola Renewables, LLC's (Iberdrola) proposal described below. BPA is providing this preliminary counterproposal for settlement purposes only, and nothing in this document waives any of BPA's rights under the PTSAs or any other agreement between BPA and Iberdrola. In addition, nothing in this document constitutes agreement with any of the facts, assertions, or representations in Iberdrola's proposal.

BPA is providing this preliminary counterproposal as part of the "PTSA Reform" process. As BPA has described previously in this process, the terms of any agreement in principle regarding termination or modification of a PTSA will be subject to public review and comment prior to BPA deciding to enter into a final agreement. BPA will not decide whether to enter into any final agreement regarding PTSA termination or modification on any terms, including the terms in this preliminary counterproposal, until after providing an opportunity for public comment. This process is subject to change as circumstances warrant.

I. Summary of Iberdrola's Proposal

Iberdrola submitted a proposal regarding their desire for a point of delivery (POD) modification associated with the Precedent Transmission Service Agreements (PTSA) listed in Table 1, below. Iberdrola also has proposed to acquire four additional Transmission Service Requests (TSRs) with associated PTSAs from another entity to provide the available flowgate capacity (AFC) for the requested modification of the POD. Those TSRs are listed in Table 2. Finally, Iberdrola has also proposed to terminate the table for the conditional firm reservation associated with one PTSA listed in Table 1 (PTSA #09TX-14409), below.

Table 1 - TSRs currently held by Iberdrola

PTSA	AREF	MW	POR	POD	Conformed Source/POR	Sink	Current Start Date	Term (yrs)
09TX-14409	76374196/ CF AREF 76210180	50	SLATT	JOHN DAY Intertie	N/A	JOHN DAY INTI500	12/1/2012	5
09TX-14411	76767725	50	SLATT	BIG EDDY	N/A	BIG EDDY CNTGS	4/1/2013	5
10TX-15066	74412693 76767735	100	SLATT 230	JOHN DAY Intertie	SLATT230/SLATT 230	JOHN DAY INTI500	4/1/2013	5

The net present value (NPV) of the above three TSRs using a 9% discount rate is \$11,550,000.

Table 2 - TSRs Currently Held by Another Entity

PTSA	AREF	MW	POR	POD	Conformed Source/POR	Sink	Current Start Date	Term (yrs)
09TX-14289	72674839	50	NEWPOINT BPAT	BPAT.PGE	JOHNDAY500/ BPAPOWER	PGE_ CNTGS	1/1/2010	5
09TX-14290	72674841	50	NEWPOINT BPAT	BPAT.PGE	JOHNDAY500/ BPAPOWER	PGE_ CNTGS	1/1/2010	5
09TX-14291	72674842	50	NEWPOINT BPAT	BPAT.PGE	JOHNDAY500/ BPAPOWER	PGE_ CNTGS	1/1/2010	5
09TX-14292	72674846	50	NEWPOINT BPAT	BPAT.PGE	JOHNDAY500/ BPAPOWER	PGE_ CNTGS	1/1/2010	5

The NPV of these four TSRs using a 9% discount rate is \$11,550,000. The total NPV of the seven TSRs combined (again using a 9% discount rate) is \$23,100,000.

II. BPA Preliminary, Non-Binding Counterproposal

Following a final decision by BPA to enter into a written agreement reflecting the terms in this proposal, and no later than September 30, 2013, Iberdrola will notify BPA of its decision to proceed with one of the following options:

- (1) BPA would process the POD modifications proposed by Iberdrola, subject to the terms and conditions described below,
- (2) Iberdrola would retain the TSRs set forth in Tables #1 and #2 without pursuing the re-direct or termination steps set forth below. All PTSAs will remain in effect under the existing terms and conditions.
- (3) Iberdrola would retain the TSRs in Table #1 and would terminate up to 200 MW of the TSRs set forth in Table #2 by making a single, lump sum payment to BPA in the amount of up to \$3,115,200 (reflective of the amount of performance assurance associated with the 200 MW of PTSAs in Table #2, pro rated to reflect the amount of termination). BPA would then release the performance assurance associated with the PTSAs that are terminated to Iberdrola following receipt of the lump sum payment.

A. General Terms and Conditions

This counterproposal is contingent on Iberdrola acquiring and assuming the rights and obligations of the PTSAs and TSRs listed in Table #2 before BPA processes any request for modifications of PODs. Iberdrola will accomplish the transfer of the PTSAs and TSRs consistent with BPA’s applicable business practice. BPA understands that Iberdrola’s acquisition of the TSRs listed in Table #2 would be contingent upon BPA’s making a final decision to enter into a written agreement reflecting the terms of this proposal.

B. Redirect Terms and Conditions

In the event Iberdrola elects to implement the POD modifications resulting in 200 MW of long-term firm transmission service agreements with modified PODs (option (2)), the following terms and conditions would apply:

- 1. Following Iberdrola’s acquisition of the TSRs listed in Table 2, Iberdrola will submit transmission service requests to redirect the Sinks of each of the requests in Table 2 from PGE_CNTGS to KEELER230 (Redirect #1). BPA will evaluate and process this redirect request consistent with its current policy.
- 2. Iberdrola previously submitted transmission service requests (OASIS AREFs 77112797, 77112808, 77112816) to modify the delivery points of the requests in Table 1 to BPAT.PGE (Redirect #2).
- 3. For purpose of evaluating and processing Redirect #2, BPA will combine the AFC encumbered by the TSRs in Table 1 with the AFC encumbered by the TSRs in Table 2, as modified by Redirect #1. These TSRs have a combined total demand of 400 MW.
- 4. The TSRs that would result from Redirects #1 and #2 are displayed in Table 3. The TSRs will remain subject to the PTSAs identified in Table 3 and service cannot commence until the Big Eddy-Knight (BE-K) project is energized unless service otherwise becomes available earlier in queue order.

Table 3 – TSRs Resulting from Redirects #1 and #2

PTSA	AREF	MW	POR	POD	Sink	Start Date	Term
09TX-14409	TBD	50	SLATT	BPAT.PGE	KEELER230	Dependent upon BE-K	5
09TX-14411	TBD	50	SLATT	BPAT.PGE	KEELER230	Dependent upon BE-K	5
10TX-15066	TBD	100	SLATT 230	BPAT.PGE	KEELER230	Dependent upon BE-K	5

- 5. Following completion of the redirects, Iberdrola and BPA would agree to terminate the PTSAs in Table # 2 according to the financial terms and conditions in section II.C. BPA would take the OASIS actions necessary to annul or otherwise remove the associated TSRs from BPA’s transmission service request queue on OASIS. Iberdrola will agree to waive and relinquish all rights associated with these PTSAs and associated TSRs and with all MW of capacity not used to carry out Redirect #2.

C. Financial Terms and Conditions for Termination of the Agreements and TSRs

If Iberdrola elects options 1 or 3 listed above, the following financial terms and conditions would apply:

- 1. Iberdrola and BPA will agree to terminate the PTSAs in Table #2 and the table for conditional firm reservation with 76210180 in Table 10, Revision No. 2, to Iberdrola's Conditional Firm Point-to-Point Transmission Service Agreement No. 00TX-10367. This is the conditional firm reservation associated with PTSA No. 09TX-14409 in Table 1. The parties agree that BPA can take the OASIS actions necessary to annul or otherwise remove the associated TSRs from BPA's transmission service request queue on OASIS. Iberdrola agrees to waive and relinquish all rights associated with these agreements and associated TSRs and with all MW of firm capacity not used to carry out Redirect #2.
- 2. Iberdrola would make a single, lump sum payment to BPA in the amount of up to \$3,115,000 (reflective of the amount of performance assurance associated with the 200 MW of PTSAs in Table #2, pro rated to reflect the amount of termination).
- 3. BPA would release the performance assurance associated with the PTSAs that are terminated to Iberdrola following receipt of the lump sum payment.

D. Financial Terms and Conditions for TSRs Resulting from Redirects #1 and #2

If Iberdrola elects option 1 above, the following condition would apply in addition to those in sections II.B and II.C:

- 1. The NPV of the resulting 200 MW revenue stream (discounted at 9%) is \$11,550,000.
- 2. Using the methodology that BPA developed to value returned AFC for settlement purposes only and as part of the PTSA reform process, BPA identified approximately 47 MW of returned AFC that would be returned to the market after Redirect #2 is completed. The NPV of the 47 MW of AFC returned with a 9% discount rate is \$2,728,000.

- Iberdrola would exercise rollover rights for the TSRs resulting from Redirect #2 to provide for a final commitment to taking at least 10 years of service. For purposes of PTSA reform, this increase in duration of commitment is assumed to make up the difference between the NPV of the 400 MW, and the revenue stream from the redirected 200 MW, the value credited for AFC returned to market after the redirects are executed based on the methodology proposed for use in PTSA reform and the performance assurance amount for the 200 MW that would be terminating. Extending the original 5 year commitment for a commitment of 10 years has a NPV of \$7,507,000.

E. Iberdrola PTSAs and TSRs Resulting from the Redirects and Termination

- Modification and termination of Iberdrola’s PTSAs and TSRs consistent with this preliminary counterproposal Option 1 would result in PTSAs and TSRs as shown in Table 4.

Table 4 - Resulting Redirected TSRs with Commitment to 10 Years of Service

PTSA	AREF	MW	POR	POD	Sink	Start Date	Term
09TX-14409	TBD	50	Slatt	BPAT.PGE	KEELER230	Dependent upon BE-K	10
09TX-14411	TBD	50	Slatt	BPAT.PGE	KEELER230	Dependent upon BE-K	10
10TX-15066	TBD	100	Slatt 230	BPAT.PGE	KEELER230	Dependent upon BE-K	10

III. Deadline for Response to BPA’s Preliminary Counterproposal

Given the need to continue to move forward in the PTSA Reform process, BPA requests a written response from Iberdrola to this preliminary proposal in no more than 3 business days. BPA may withdraw this preliminary counterproposal at any time.

Financial Analysis of Iberdrola Proposal – Option One

Value of Original Contract (\$000)	
1 Contract MWs	400 MW
2 Present Value ¹ of Original Contracts	\$ 23,100

Value of Option 1 (\$000)	
3 Present Value ¹ of Transferred 200 MW	\$ 11,550
4 NPV ¹ of Released AFC ²	\$2,728
5 Value of Redirect & AFC	\$14,278

6 Value Required to Remain Whole	\$8,822
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Value of Planned Additional Customer Actions (\$000)	
7 Value of 200 MW Performance Assurance	\$3,115
8 NPV ¹ of 5 Year Contract Extension*	\$7,507
9 Value to Region of Additional Customer Actions	\$10,622

Total Value of Proposal \$24,900*

*Note that the customer chose to make a longer contract extension than necessary in order to maintain rollover rights.

Assumptions

- 1) Discount Rate of 9% Applied
- 2) Released AFC is remarketed January 2015 or randomly within 10 Years of release

**Attachment to BPA’s Preliminary and Non-Binding Counterproposal
PTSA Reform Process for Option 2**

Financial Analysis of Iberdrola Proposal

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
7	Total Value of Proposal	\$ 23,100

Footnote: Assumptions

1) Discount Rate of 9% Applied

**Attachment to BPA’s Preliminary and Non-Binding Counterproposal
PTSA Reform Process for Option 3**

Financial Analysis of Iberdrola Proposal

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

*While the methodology for crediting returned AFC could provide opportunity to credit a higher value, this is the maximum credit the BPA is willing to provide for released AFC given the principle that performance assurance is the minimum.

Footnote: Assumptions

- 1) Discount Rate of 9% Applied
- 2) Released AFC is remarketed January 2015. This value assumes that all offers made are accepted.

Summary of BP Wind Base Case to Other Alternatives

400 MW Associated with Termination (\$000)			
	Scenario 1 5 Years of Service (No - Deferrals)	Scenario 2: Proposal Service Termination	Scenario 3 Deferral Then Default
1) NPV of Adjusted Total Revenue	\$ 23,100	\$ -	\$ 1,700
2) NPV of Performance Assurance	\$ -	\$ 6,230	\$ 3,127
3) NPV of Returned AFC*	\$ -	\$ 22,411	\$ -
4) Value of Scenario	\$ 23,100	\$ 28,641	\$ 4,827
5) Difference from Scenario 1	\$ -	\$ 5,541	\$ (18,273)

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

Assumptions of Financial Analysis

- 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.

*** For PTSA Reform Discussion Only**

Financial Analysis of EDPR Termination Proposal (\$000)

Termination (300 MW)	
Value of Original Contract	
NPV of 5 Year Contract	\$ 22,251
Reduction in Contract Term due to BEK Delay	\$ (4,725)
NPV of associated SDD	\$ (821)
Total Value of Original Contract	\$ 16,705

Redirect (495 MW)	
Assumes Termination Option at 2.5 Years is Exercised	
NPV of 5 Year Contract	\$ 37,165
Reduction in Contract Term due to BEK Delay	\$ (6,616)
Total Value of Original Contract	\$ 30,550

Value Associated With Termination	
NPV of Returned AFC	\$ 11,447
300 MW Performance Assurance	\$ 4,673
Total Value of Termination	\$ 16,120

Value Associated With Termination	
NPV of 2.5 Years of Service	\$ 20,426
NPV of Pro-Rated Performance Assurance	\$ 2,124
NPV of Released AFC	\$ 1,057
NPV of Foregone Transmission Credits	\$ 5,520
Total Value of Termination	\$ 29,126

Financial Analysis of EDPR Termination Proposal with Risk Adjusted AFC (\$000)

Termination (300 MW)	
Value of Original Contract	
NPV of 5 Year Contract	\$ 22,251
Reduction in Contract Term due to BEK Delay	\$ (4,725)
NPV of associated SDD	\$ (821)
Total Value of Original Contract	\$ 16,705

Redirect (495 MW)	
Assumes Termination Option at 2.5 Years is Exercised	
NPV of 5 Year Contract	\$ 37,165
Reduction in Contract Term due to BEK Delay	\$ (6,616)
Total Value of Original Contract	\$ 30,550

Value Associated With Termination	
Risk Adjusted NPV of Returned AFC	\$ 7,888
300 MW Performance Assurance	\$ 4,673
Total Value of Termination	\$ 12,561

Value Associated With Termination	
NPV of 2.5 Years of Service	\$ 20,426
NPV of Pro-Rated Performance Assurance	\$ 2,124
NPV of Released AFC	\$ 110
NPV of Foregone Transmission Credits	\$ 5,520
Total Value of Termination	\$ 28,179

Financial Analysis of EDPR Deferral then Default (\$000)

Termination (300 MW)	
Value of Deferral then Default	
NPV of Deferral Fees and Performance Assurance	\$ 4,186
Total Value of Default	\$ 4,186

Redirect (495 MW)	
Value of Default	
NPV of Deferral Fees and Performance Assurance	\$ 7,057
NPV of Foregone Transmission Credits	\$ 5,520
Total Value of Default	\$ 12,576

Assumptions of Financial Analysis

- 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 require 1 year before resold.
- 4) Foregone transmission credits are associated with Saddle Mountain and
- 5) Transmission Credits are analyzed with a 50% probability of occurring.
- 6) See Assumption Tab for more details on assumptions

Financial Analysis of Two Parent Redirect Proposal

Value of Original Contract (\$000)	
1 Contract MWs	400 MW
2 Present Value ¹ of Original Contracts	\$ 28,308

Value of Two Parent Redirect (\$000)	
3 Present Value ¹ of Transferred 200 MW	\$ 14,154
4 NPV ¹ of Released AFC ²	\$ 3,345
5 Value of Redirect & AFC	\$ 17,498

6 Value Required to Remain Whole	\$ 10,809
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Value of Planned Additional Customer Actions (\$000)	
7 Value of 200 MW Performance Assurance	\$ 3,115
8 NPV ¹ of 5 Year Contract Extension	\$ 9,676
9 Additional Value to Region	\$ 12,791

Total Value of Proposal \$ 30,290

Assumptions

- 1) Discount Rate of 9% Applied
- 2) Released AFC is remarketed January 2015

Risk Adjusted Financial Analysis of Two Parent Redirect Proposal

Value of Original Contract (\$000)	
1 Contract MWs	400 MW
2 Present Value ¹ of Original Contracts	\$ 28,308

Value of Two Parent Redirect (\$000)	
3 Present Value ¹ of Transferred 200 MW	\$ 14,154
4 NPV ¹ of Released AFC ²	\$ 2,356
5 Value of Redirect & AFC	\$ 16,509

6 Value Required to Remain Whole	\$ 11,798
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Value of Additional Customer Actions (\$000)	
7 Value of 200 MW Performance Assurance	\$ 3,115
8 NPV ¹ of 5 Year Contract Extension	\$ 9,676
9 Additional Value to Region	\$ 12,791

Total Value of Proposal \$ 24,589

Assumptions

- 1) Discount Rate of 9% Applied
- 2) Released AFC is remarketed randomly within 10 years of release