

Analysis of Precedent Transmission Service Agreement (PTSA) Termination Rate Pressure

October 12, 2011



PTSA Reform 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**

** As stated at September 14, 2011 Stakeholder Meeting*



Scenario Definitions

- Base Case
 - All PTSAs take service. There are significant deferrals assumed (see appendix). There are no terminations and no defaults. Large Generation Interconnection Agreements (LGIA) projects are constructed as forecast and associated transmission credits are assumed.
- PTSA Termination
 - PTSAs are allowed to terminate. LGIA projects associated with these projects are not funded or constructed.
- Generation Not Yet Constructed & Investment Risk
 - Assumed default of TSRs related to non-investment grade customers without constructed generation. The associated generation is never completed and associated LGIA are not funded or constructed.



Additional Assumptions (for all scenarios)

- Energization dates for Network Open Season (NOS) 2008 and 2010 projects match those in the NOS Project Summary Fact sheet updated September 1, 2011.
- TSRs that have been associated with LGIAs are expected to defer until the commercial operations date based on a wind forecast developed 9/9/2011.
- Redirect and NT requests do not result in incremental revenues included in this analysis.
- Authorized TSRs (TSRs granted without a build) were not included in this analysis unless otherwise noted.
- TSRs are forecast to use their right of refusal and rollover indefinitely, unless the company defaults or terminates.



LGIA Assumptions

- LGIAs advance funded and transmission credits forecasted are based on the Rate Case 12 forecast with updated commercial operations dates.
- Commercial operations dates are based on a wind forecast developed 9/9/2011 and align with PTSA commencement of service dates.
- Only transmission credits that are associated with a NOS PTSA were included in the analysis. (Credits related to Authorized TSRs are not included unless otherwise noted.)
- Credit Use:
 - For projects currently receiving credits, future credits are based on historical credit use and forecasted TSRs.
 - For projects that have not begun receiving credits, it is assumed that the project will receive credits in the amount of the TSR beginning on the later of the TSR start date, project's commercial operations date, or the forecasted energization of associated NOS build.



PTSA Termination Compared to Base Case



PTSA Termination Rate Impact Summary

- If customers are allowed to terminate PTSAs*, and all 2008 and 2010 NOS projects move forward, the resulting 20 year rate pressure is:
 - An additional 2.7% rate pressure (with transmission credits) when compared to the Base Case.

- If customers are allowed to terminate PTSAs*, and all 2008 and 2010 NOS projects move forward, the resulting 5 year rate pressure is:
 - An additional 1.0% rate pressure (with transmission credits) when compared to the Base Case.

* 1,950 MW are assumed to terminate



PTSA termination Rate Analysis by Project

- Big Eddy-Knight Analysis
 - The 20 year rate pressure for Big Eddy-Knight, including transmission credits applied, is negative 3.6%.
 - With PTSA termination added, there would be an additional 1.5% rate pressure (resulting in a negative 2.1% rate pressure).
 - The 5 year rate pressure for Big Eddy-Knight including transmission credits applied, is approximately 0.8%.
 - With PTSA termination added, there would be an additional 0.5% rate pressure (resulting in a 1.3% rate pressure).

- Central Ferry-LoMo Analysis
 - The 20 year rate pressure for Central Ferry-LoMo, including transmission credits applied, is 1.7%.
 - With PTSA termination added, there would be an additional 0.4% rate pressure (resulting in a 2.1% rate pressure).
 - The 5 year rate pressure for Central Ferry-LoMo, including transmission credits applied, is 1.9%.
 - With PTSA termination, there is no additional rate impact due to deferrals.



PTSA Termination Rate Pressure Scenarios: 20-year analysis with transmission credits applied

	Base Case	PTSAs Terminate	Delta
NOS 2008 and 2010 Projects	3.30%	5.97%	2.67%
NOS 2008 and 2010 Projects (with authorized)	-1.33%	2.99%	4.32%
Big Eddy Knight Only	-3.59%	-2.12%	1.47%
CF Lomo Only	1.70%	2.13%	0.43%



PTSA Termination Rate Pressure Scenarios: 5-year analysis with transmission credits applied

	Base Case	PTSAs Terminate	Delta
NOS 2008 and 2010 Projects	11.16%	12.20%	1.05%
NOS 2008 and 2010 Projects (with authorized)	7.43%	8.36%	0.92%
Big Eddy Knight Only	0.82%	1.33%	0.51%
CF Lomo Only	1.87%	1.87%	0.00%



Generation Not Yet Constructed & Non-
Investment Graded Revenue Risk
Compared to Base Case



Potential Risk of Revenues Rate Impact Summary

- Assuming all 2008 and 2010 NOS projects move forward and all generation not yet built associated with non-investment grade customers default, the resulting 20 year rate pressure is:
 - An additional 5.8% rate pressure (with transmission credits) when compared to the Base Case
- Assuming all 2008 and 2010 NOS projects move forward and all generation not yet built associated with non-investment grade customers default, the resulting 5 year rate pressure is:
 - An additional 2.6% rate pressure (with transmission credits) when compared to the Base Case

** 1,950 MW are assumed to terminate*



PTSA Termination Rate Pressure Scenarios: 20-year Analysis with LGIA Credits

	Base Case	Unbuilt Generation & Investment Risk	Delta
NOS 2008 and 2010 Projects	3.30%	9.05%	5.76%
NOS 2008 and 2010 Projects (with authorized)	-1.33%	5.39%	6.72%
Big Eddy Knight Only	-3.59%	0.75%	4.33%
CF Lomo Only	1.70%	1.62%	-0.08%



PTSA Termination Rate Pressure Scenarios: 5-year analysis with LGIA credits

	Base Case	Unbuilt Generation & Investment Risk	Delta
NOS 2008 and 2010 Projects	11.16%	13.74%	2.58%
NOS 2008 and 2010 Projects (with authorized)	7.43%	10.43%	2.99%
Big Eddy Knight Only	0.82%	2.13%	1.30%
CF Lomo Only	1.87%	1.87%	0.00%



Analysis Summary

- The analysis shows some rate impact to the region if we allow termination.
- The degree of rate impact varies based on assumptions used.
- BPA has not yet made a determination regarding PTSA termination.



Next Steps

- Next steps:
 - What construct should BPA use to ensure that the rate impact to the region is neutral (THE core principle)?
- Additional data for consideration:
 - Present Value
 - Estimated Present Value of a 5 year transmission service contract commencing in FY12: \$68,869/MW
 - Estimated Present Value of 13 year transmission service contract commencing in FY12: \$153,208/MW
 - Revenue requirements
 - A 1% increase from base case (additional \$31.4M revenue requirement over 5 years)
 - A 3% increase from the base case. (additional \$320.3M revenue requirement over 20 years)



Appendix



Appendix - NOS Deferred MW by Fiscal Year

Project Cluster	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
Authorized	417	376	345	253	245	33	-	-
BEK	-	900	2,042	2,100	2,175	1,850	750	-
McNary John-Day	74	98	43	10	-	-	-	-
Central Ferry Lomo	-	8	100	100	100	100	75	-
WOMR-CF Lomo	-	46	550	550	500	350	296	-
WOMR-I5-CF Lomo	-	-	-	-	83	75	-	-
WOMR-I5	-	-	-	-	-	-	-	-
I5	-	-	-	-	-	-	-	-
Total w/ Authorized	491	1,428	3,080	3,013	3,103	2,408	1,121	-
Total w/out Authorized	74	1,052	2,735	2,760	2,858	2,375	1,121	-

NOS Rate Pressure Scenarios: 20-year analysis without LGIA

	Base Case	PTSAs Terminate	Delta
NOS 2008 and 2010 Projects	-0.56%	4.57%	5.14%
NOS 2008 and 2010 Projects (with authorized)	-6.31%	-0.59%	5.72%
Big Eddy Knight Only	-5.85%	-2.71%	3.14%
CF Lomo Only	1.12%	1.34%	0.23%



PTSA Termination Rate Pressure Scenarios: 5-year analysis without LGIAs

	Base Case	PTSAs Terminate	Delta
NOS 2008 and 2010 Projects	6.57%	9.47%	2.90%
NOS 2008 and 2010 Projects (with authorized)	1.64%	4.88%	3.24%
Big Eddy Knight Only	-2.70%	-0.99%	1.71%
CF Lomo Only	1.62%	1.64%	0.02%



PTSA Termination Rate Pressure Scenarios: 20-year analysis without LGIA credits

	Base Case	Unbuilt Generation & Investment Risk	Delta
NOS 2008 and 2010 Projects	-0.56%	7.35%	7.91%
NOS 2008 and 2010 Projects (with authorized)	-6.31%	2.92%	9.23%
Big Eddy Knight Only	-5.85%	0.62%	6.47%
CF Lomo Only	1.12%	1.12%	0.00%



PTSA Termination Rate Pressure Scenarios: 5-year analysis without LGIA credits

	Base Case	Unbuilt Generation & Investment Risk	Delta
NOS 2008 and 2010 Projects	6.57%	12.25%	5.69%
NOS 2008 and 2010 Projects (with authorized)	1.64%	8.28%	6.64%
Big Eddy Knight Only	-2.70%	1.65%	4.35%
CF Lomo Only	1.62%	1.70%	0.08%

