

Regional Dialogue Policy Implementation

BPA Tier 2

December 5, 2007



Tier 2 Construct

- **Flat Block:** Power sold at Tier 2 rates will be in the shape of a flat annual block of energy
- **Marginal Cost:** Tier 2 rates will be based on the marginal cost of new BPA purchases and resource acquisitions, including the costs of shaping and/or firming resources to a flat annual block
- **Commitment to Costs:** Customers who choose to purchase power at Tier 2 rates will commit to pay at rates tied to the costs of specific resources or market purchases for the specified purchase duration.
- **Take-or-Pay:** All Tier 2 purchases will be take-or-pay. Liquidated damages will apply when a customer is unable to purchase power amounts at the rate they have committed to purchase.



Tier 2 Construct continued

- **Resource Acquisition Principle:** BPA must select resources consistent with statutory requirements for resource acquisitions when supplying all Tier 2 rate alternatives. BPA will do its best to accommodate customer needs when making those resource selections.
- **System Sales:** From a supply standpoint, like all PF sales, power at a Tier 2 rate is provided as a BPA system sale. Customers do not gain access to the output of specified resources.
- **Based on Forecasted Costs:** All Tier 2 rates will be set through a 7(i) rates process and based on forecasted costs. Whether there will be a mechanism to “true-up” or otherwise recover actual costs will be worked out in the Tiered Rates Methodology and/or future rate cases.
- **No Acquisitions Beyond Customer Commitment:** When supplying Tier 2 through at least the end of the Transition Period ending FY2014 BPA will not acquire resources ahead of customer commitments. Beyond FY2014 BPA may need to reconsider this approach given the possibility that the duration of resource acquisitions may be inconsistent with the remaining 14-year delivery window.



When Customers are NOT Required to Specify Fixed Quantities of Tier 2

- **Specified Quantities of Tier 2 are not required:**
 - For Load Following customers purchasing power at the Load-Growth Tier 2 Rate
 - When Load Following customers commit to a Short-Term Tier 2 / non-Federal resource combination and choose to fix the amount of non-Federal resources
- **BPA Establishes Quantities Each Rate Period:** BPA will establish precise Tier 2 amounts for each rate period based on the difference between a customer's forecasted load served by BPA and its Rate Period HWM. That precise amount becomes the customer's Tier 2 take-or-pay obligation for the rate period.
- **Annual Updates:** Each year BPA will update the customer's net requirement determination
 - If the customer experiences forecasted load growth relative to the rate period load forecast, additional load variance energy applied to Tier 1 will make up the shortfall for the second year
 - If the customer experiences forecasted load loss, BPA will remarket an amount of Tier 2 power equal to the difference in the annual net requirement forecasts and pass through the difference in value to the customer. This could result in a charge or a credit.



When Customers are Required to Specify Fixed Quantities of Tier 2

- **Specified Quantities of Tier 2 are required:**
 - For all Slice / Block and Block customers purchasing power at Tier 2 rates
 - For Load Following customers purchasing power at Vintaged Tier 2 Rates
 - When Load Following customers commit to a Short-Term Tier 2 / non-Federal resource combination and choose to fix the amount of power at the Short-Term rate
- **Specify Tier 2 Amounts:** Customers must specify fixed quantities for each year of the commitment period (see slides 18-19 for description of commitment periods) based on a forecast of their net requirement for that period
- **Corresponding non-Federal Resource Commitment:** Customers will be responsible for supplying incremental amounts of non-Federal resources themselves if they experience load growth above their Tier 2 purchase commitment
- **Load Loss:** If the customer experiences forecasted load loss relative to the original net requirement forecast, BPA will remarket an amount of Tier 2 power equal to the difference in the annual net requirement forecasts and pass through the difference in value to the customer. This could result in a charge or a credit.



Transition Period

- **Transition to Tiered Rates:** Based on customer comments, BPA is intending to offer a transition to tiered rates.
- **Shorter Initial Commitment:** Customers will not be required to make a full three-year notice of purchases at Tier 2 rates and will only have to commit for the first three delivery years of the contract.
- **Commitment prior to November 2009:** Under this approach customers could wait until November 2009 to decide whether or not to have their above-HWM load served with power from BPA at Tier 2 rates or apply non-Federal resources.

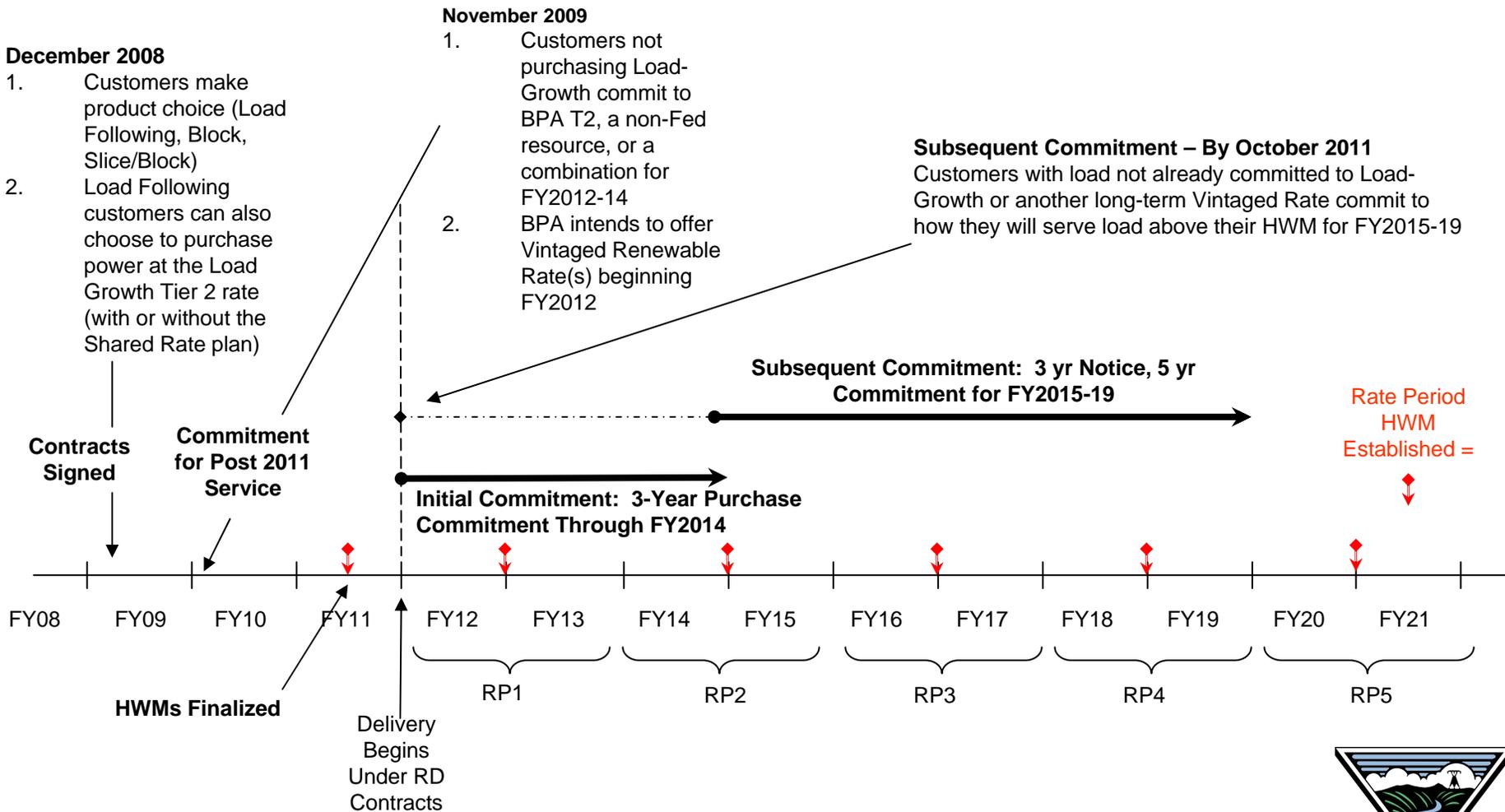


Timeline – Transition to Tiered Rates

- **Prior to December 2008 – Tier 2 Structure Updated:** BPA will continue to update and refine the structure for all Tier 2 alternatives that it intends to make available by October 2011 when power delivery begins
- **December 2008 – Contract Signing:** Customers sign contracts for the product of their choice (Load Following, Block, Slice/Block). Customers choosing Load Following also can commit to: a) whether they take Tier 2 service from BPA at the Load-Growth rate, and if so, b) whether they also want to take service under the Shared Rate plan.
- **Prior to November 2009 – Initial Above-HWM Commitment:** Block, Slice/Block, and Load Following customers not choosing Load-Growth Tier 2 commit to how they will serve their above-HWM load for at least the first three years of deliveries FY2012-14. Choices include:
 - a) non-Federal resources
 - b) Tier 2 from BPA at either the Short-Term rate and / or a Vintaged Renewable Rate(s), if available
 - c) an established combination of a and b.
- **Mid 2011 – Contract HWM Finalized:** CHWMs finalized based on actual 2010 load, conservation adjustments, and forecasted FBS capability
- **Mid 2011 – Rate Period HWM Established:** Initial RHWM established – sets initial rate period take-or-pay obligation for Load Following customers who have not already committed to an amount of power
- **Prior to October 2011 – Subsequent Above-HWM Commitment:** Customers commit to how they will serve their above-HWM load for at least the subsequent five year commitment period FY2015-19 if they have not made previous commitments for those years
- **October 2011 – Power Delivery Begins**



Updated Timeline for Regional Dialogue Contracts and Rates



Transition to Tiered Rates – Tier 2 Alternatives

- **December 2008 – First Chance to Commit to Tier 2:** At contract signing BPA will offer the Load-Growth Tier 2 rate to Load Following customers. Customers choosing Load-Growth Tier 2 can also choose the Shared Rate Plan or not.
 - **“Load-Growth Rate”:** Rate alternative offered at contract signing for Load Following customers who sign up for the term of the contract to have their above-HWM load served by BPA.
 - **“Shared Rate Plan”:** Customers who choose this option commit at contract signing to pool the costs of their Tier 1 and Load-Growth Tier 2 energy purchases so that they collectively pay the same energy rate.
- **November 2009 – Initial Requirement to Commit for Above-HWM Load:** Prior to November 2009, customers who did not commit to Tier 2 in December 2008 can commit to purchase power from BPA at: i) the Short-term Tier 2 rate for FY2012-14, or ii) longer-term “Vintaged Renewable” rates BPA intends to make available
 - **“Short-Term” Tier 2 Rate:** For customers who do not choose another Tier 2 alternative or who do not commit non-Federal resources to supply load above their High Water Marks (HWMs).
 - **“Specific Vintaged Rates” (including Vintaged Renewable Rate(s)):** Periodically offered long-term rate alternatives based on the costs of a specific resource or groups of resources.



Load-Growth Rate

- What is it?
 - A rate pool for Load Following customers who want to commit to have BPA serve their above-HWM load for the duration of the contract.
 - BPA acts as portfolio manager layering resource costs over time to meet committed loads of these customers.
- Why proposed?
 - Customers have asked for a long term Tier 2 rate option that offers rate stability and protection from the cost uncertainty associated with late-coming utilities who do not initially subscribe to such a rate.
 - Customers receive a rate based on the costs of a diversified resource mix that includes the benefits (and risks) of long term resources.



Load-Growth Rate - Details

- **Load Following Only:** Only for Load Following customers.
- **Full Contract Duration:** Only offered at contract signing and commitment is for the full duration of the contract.
- **Access to Costs:** Costs of resources on which the Load-Growth Rate is based will remain in that specific cost pool. This includes potential costs and benefits associated with disposing, prior to a rate period, of excess amounts of resources dedicated to the cost pool (e.g. due to forecasted load loss).
- **Customer Input:** BPA will solicit and consider customer input when making resource acquisition decisions for the rate pool's supply portfolio.
- **“Greenness” of Load-Growth:** The Load-Growth rate would have no specific rights to renewable resources. Renewable Energy Certificates (RECs) would not be included. BPA intends to separately offer RECs for an additional charge, with priority granted to publics.



Load-Growth Rate – Details continued

- **Rate Level:** Rate level will vary (increase or decrease) over time as new resource costs are added to the pool and as the cost of providing support services to resources in the cost pool changes.
- **No Commitment to Quantity:** Customers do not need to commit to specified quantities (i.e. BPA will meet a customer's increasing load over time).
- **One-time Opportunity for Other Tier 2 or non-Federal:** At contract signing customers can specify amounts of power for the term of the contract that will not be served with power at the Load-Growth rate (i.e. served instead with power at another Tier 2 rate or with non-Federal resources). Standard notice and commitment terms will apply to those amounts.



Shared Rate Plan

- What is it?
 - An option that allows customers the ability to pool the costs of their Tier 1 and Tier 2 energy purchases so that they collectively pay the same energy rate.
 - Only available to Load Following customers who choose to purchase power solely at the Load-Growth Tier 2 rate. Consequently only available at contract signing in December 2008.
- Why proposed?
 - The construct would act as an insurance policy to spread costs of load growth across a group of customers.
 - For some customers the single rate would be more simple and less costly to administer.



Shared Rate Plan - Details

- **Load Following Only:** Only for Load Following customers
- **Contract Signing Only:** Only available at contract signing.
- **Tier 1 Amounts:** Customers that choose the Shared Rate Plan will group the individual forecast load amounts they are eligible to purchase under their HWM. The sum of these individual amounts will establish the total forecast amount of Tier 1 power that will be used in setting the energy rate for this group of customers. If any individual customer's HWM exceeded its net requirement, the value of the unused HWM amount would be credited broadly to all Tier 1 customers.
- **Load-Growth Tier 2 Only:** The combined amount of these customers' net requirements beyond what is met with forecast Tier 1 amounts will come from the Load-Growth Tier 2 rate. Customers would not have the right to purchase power at another Tier 2 rate.
- **Size Limit:** There will be a 500 aMW limit (projected 2012 load) on the size of the Shared Rate Plan. BPA will establish a process to reduce the number of customers in the pool to maintain the 500 aMW limit if the amount is projected to exceed that limit.
- **Right to Exit:** Customers have a one-time right to exit the Shared Rate Plan with one year's notice prior to a rate period. Such customers would then pay rates based on the Load-Growth Tier 2 rate for their above-HWM load and their individual rights to purchase at Tier 1 for their below-HWM load.



Short-Term Tier 2 Rate

- What is it?
 - The shortest-commitment Tier 2 rate alternative for customers who do not choose another Tier 2 alternative or who do not commit non-Federal resources to supply load above their HWMs
 - BPA acts as portfolio manager layering resource costs over time to meet committed loads of these customers
- Why proposed?
 - Provides customers the flexibility to change their resource decisions for each commitment period
 - Makes customers eligible to purchase Specific Vintaged rates
 - Provides customers the flexibility to bring in non-Federal resources when they expect to acquire them



Short-Term Rate - Details

- **Costs in Short-Term Rate:** The Short-Term Tier 2 rate is a single rate based on the costs of resources and/or market purchases, including the costs of shaping and/or firming the resources to flat annual blocks
- **Rate Level:** Actual rates will be set through a 7(i) rates process. Customers who choose this alternative will be committing to purchase at an unknown price, and over time, the price will vary depending on the costs of resources and support services included in the portfolio.
- **Short-Term Combinations:** Customers can choose to combine Short-Term rate power with non-Federal resources or other BPA Tier 2 alternatives that are made available.
- **“Greenness” of Short-Term:** The Short-Term Tier 2 portfolio would have no specific rights to renewable resources. RECs would not be included. BPA intends to separately offer RECs for an additional charge, with priority granted to publics.



Short-Term Rate – Details continued

- **Choice on Purchase Mix:** Customers can specify varying amounts of Short-Term combinations for each year of a commitment period.
- **Flexibility for Resource Development:** Customers can use this flexibility to bring in resource amounts based on when they expect to acquire them (e.g. not just 2012).
 - **Example:** Customer has a non-Federal resource that will not be on-line until FY2014
 - Customer's FY2012-13 Rate Period HWM: 10 MW
 - Net Requirement for FY2012-14: 15 MW (assumes no forecasted load growth)
 - Short-Term Tier 2 purchase commitment:
 - First two years: 5 MW
 - Third year: 0 M (5 MW commitment to non-Federal resource)



Short-Term Rate – Initial Commitment Period

- Notice and commitment for initial FY2012-14 commitment period:
 - **Initial Notice:** Customers must notify BPA how they will serve load above their HWMS prior to November 2009
 - **Initial commitment term:** Three years
 - Customer commitments to either BPA Tier 2 or non-Federal supply will be set for FY2012-14.
 - The commitment period will be fixed, resulting in a parallel commitment to unspecified non-Federal resources.
 - **Rationale for less than Three-year Notice and Five-year Commitment:**
 - Small amounts of Tier 2 load forecasted initially.
 - BPA should accordingly be able to supply Tier 2 load largely with market purchases.



Short-Term Rate – Subsequent Commitment Periods

- Notice and commitment after the initial FY2012-14 commitment period:
 - Minimum notice: **Three years**
 - Customers must notify BPA prior to October 2011 how they will serve load above their HWMs when their initial commitment expires in 2014
 - Minimum commitment term: **Five years**
 - Customer commitments to either BPA Tier 2 or non-Federal supply will be set for FY2015-19.
 - Each five-year commitment period will be fixed, resulting in a parallel commitment to unspecified non-Federal resources.
 - Rationale for notice and commitment periods: BPA and customers need the flexibility to maintain long-term, resource adequate sourcing of power to serve load above HWMs
 - Three year notice: Provides adequate time for either BPA or customers to take actions to acquire power they need to meet their respective obligations. If BPA is to acquire output from an undeveloped resource, three years minimum is needed for potential 6(c) hearings, Environmental Impact Statement processes, and to site and develop the resource.
 - Five year commitment: BPA believes five years is a bare minimum duration for a power purchase agreement with a resource developer.



Load Following Example: Fixed non-Federal Combination

Example: Customer commits to supply its above HWM load with a pre-established 5 MW of non-Federal resources and the remainder with BPA Short-Term Tier 2

- Forecast net requirement (2012): 15 MW
- Forecast net requirement (2013): 17 MW
- FY2012-13 Rate Period HWM: 10 MW
- Non-Federal resource applied in FY2012-13: 5 MW
- **Resulting Tier 2 purchase requirement for the rate period:**
 - 2012 = 0 MW
 - 2013 = 2 MW



Load Following Example continued

Using the same example, what if the Load Following customer experienced less load growth in 2012 than originally forecasted? The updated FY 2013 net requirement forecast, calculated prior to the second year of the rate case, is now only 16 MW instead of 17 MW.

Previously Established

- FY2012-13 Rate Period HWM: 10 MW
- Non-Federal resource: 5 MW
- Tier 2 take-or-pay obligation for FY2013: 2 MW

Updated for FY2013

- Updated FY2013 net requirement forecast: 16 MW
- Tier 2 Remarketing:
 - BPA will remarket 1 MW of the Tier 2 purchase with the value passed through to the customer (could result in a net charge or credit)
 - Note: Customer will have the right to remove non-Federal resources only after Tier 2 amounts are fully reduced



Specific Vintaged Rates

- What are they?
 - Periodically offered Tier 2 rate vintages based on specific resource costs for customers that need power to be based on specific resource types (e.g. renewable) or that want to know more about resource costs before they make a long-term commitment.
- Why proposed?
 - Specific Vintaged rates provide customers more information and choice when making power supply decisions
 - Customers have indicative rate information and know resource type prior to committing (e.g. can determine RPS compatibility)
 - Eligible customers only choose a vintage if it provides them what they need (BPA's acquisition requirements can be limiting)
 - Specific Vintaged rates provide more rate stability than other Tier 2 alternatives because they will be based on the costs of long-term resource acquisitions.



Specific Vintaged Rates - Details

- **Commitment to Specific Costs and Duration:** Customers commit to purchase power for a specified duration at a Tier 2 rate based on the costs of long-term resources acquired to supply that specific Tier 2 vintage rate pool.
- **Access to Costs:** Costs of resources on which a Vintaged rate is based will remain in the specific Tier 2 vintage cost pool.
- **Term:** The term of a given Vintaged rate will not exceed the term of the contract (could explore a liquidated damages “exit fee” to allow longer-term purchases)
- **Commitment to Quantity:** Customers must commit to purchase a specified quantity of power for load at a Vintaged rate.
- **“Greenness” of Vintages:** Vintaged rates could be based on the costs of renewable resources or non-renewable resources, however initially BPA expects to focus on renewable vintages. BPA would specify the “greenness” of each vintage (e.g. whether RECs are included). For the initial offer in November 2009 (see next slide), BPA intends to focus primarily on offering a Vintaged Renewable Rate(s).



Specific Vintaged Rates – Plan to Offer “Vintaged Renewable” November 2009

- **Intent to Offer:** BPA intends to take the necessary actions by November 2009 to offer customers a Vintaged Renewable Tier 2 rate(s) when they are required to commit how their load above their HWM will be served. Customers choosing to purchase power at this rate would receive the environmental attributes from the resources used to establish the rate. By contract signing in December 2008, BPA intends to make available additional timeline and process details regarding the offering of this Vintaged Renewable rate.
- **Eligibility:** All customers are eligible to purchase at such rates except for those customers who:
 - Committed to the Shared Rate plan, or
 - Committed to the Load Growth Rate without pre-establishing an amount of Short-Term Tier 2 (Note: Load Growth customers who did pre-establish an amount of Short-Term Tier 2 could convert those amounts to the Vintaged Renewable beginning November 2009 through the process described on Slide 25)
- If BPA is unable to complete all of the steps necessary to offer this Vintaged Renewable Tier 2 rate, BPA will instead provide customers information on the amounts, prospects and timing for when this rate alternative will be offered so that customers can assess whether they believe they can rely on BPA to meet their renewable needs or whether they need to make alternative arrangements.



Specific Vintaged Rates – Subsequent Offerings

- **Eligibility:** Depends on prior commitment to take service from BPA at the Short-Term Tier 2 rate. Specifically:
 - **Short-Term Tier 2:** Amounts committed at this rate are eligible for any Vintaged Rate including vintaged rates based on the costs of renewable resources.
 - Example: If a customer commits to purchase power at the Short-Term rate for FY 2015-19, customer would be eligible to transfer those committed amounts to any vintaged rate BPA offers for that period. Commitments to a vintaged rate would be long-term (i.e. not limited to initial three year commitment)
 - **Load Growth:** Amounts committed at this rate are not eligible for Vintaged Rates.



Specific Vintaged Rates – Timing

(Dealing with the “Chicken and Egg” dilemma)

- **General Timing:** Customers commit to purchase power before BPA acquires a resource. Customers would have indicative rate information gained through the process described below.
 1. **Indicative BPA Offer:** BPA offers a prospectus for a Vintage rate or rates well before a potential acquisition. The prospectus specifies:
 - Purchase duration
 - Type of resource(s)
 - Range of initial costs
 - Maximum quantity available
 2. **Customer Commitment:** Customers commit to purchase under the rate for the specified term if BPA can purchase resources of the type established in the prospectus and within the allowable cost range. Customer then has 60 days to commit to shift a portion of their requirements power service from the Short-Term Rate to the Vintaged formula rate(s) described in the prospectus before BPA buys. To the extent BPA has already sourced for the transferred load, the customer would face liquidated damages to hold the departed pool harmless.
 3. **BPA Purchase:** BPA acquires the resource up to amounts committed by customers only if BPA can meet the conditions stated.
 4. **Rate Setting:** Each rate period the Vintaged rates will be re-set based on the costs of the resources included in the pool and the projected costs of firming and reshaping the resource output into the benchmark flat block Tier 2 shape.



Example of Tier 2 Purchases:

Slide 1 – Initial commitment for three Load Following customers

- Three Load Following customers have the following identical HWM and net requirements profile for the contract term (assumes no load growth):
 - HWM = 50 MW
 - Net requirement = 60 MW
 - Above HWM load = 10 MW
 - Average market price for first three delivery years is ~\$60
 - Tier 1 rate = \$30 / MWh
1. **Utility A - Non-Federal:** Customer commits to supply its above-HWM load with 10 MW non-Federal resources for the first three delivery years (resource cost = \$60 / MWh).
 2. **Utility B - Short-Term:** Customer commits to purchase service at Tier 2 from BPA under the Short-Term rate for the first three delivery years. Results in a commitment to take 10 MW at \$60 / MWh (BPA's Short-Term rate based on a market purchase).
 3. **Utility C - Load-Growth:** Customer commits to purchase service at Tier 2 from BPA under the Load-Growth rate for the term of the contract. Results in a commitment to take 10 MW at \$55 / MWh (BPA's initial Load-Growth rate based on a long-term resource acquisition).



Example of Tier 2 Purchases:

Slide 2 - Wholesale power cost for each customer in FY2012

<u>Utility A</u>	<u>aMW</u>	<u>Rate (\$/MWh)</u>	
Tier 1	50	30	1500
Tier 2	0	0	0
Resource	10	60	600
			2100
Average Wholesale Rate (\$/MWh) =			\$35
<u>Utility B</u>	<u>aMW</u>	<u>Rate (\$/MWh)</u>	
Tier 1	50	30	1500
Tier 2	10	60	600
Resource	0	0	0
			2100
Average Wholesale Rate (\$/MWh) =			\$35
<u>Utility C</u>	<u>aMW</u>	<u>Rate (\$/MWh)</u>	
Tier 1	50	30	1500
Tier 2	10	55	550
Resource	0	0	0
			2050
Average Wholesale Rate (\$/MWh) =			\$34



Example of Tier 2 Purchases:

Slide 3 – Vintaged Renewable Rate for FY2014

- BPA has a long term renewable resource opportunity for which BPA can make a potential Vintaged Rate available to eligible customers beginning FY2014. BPA followed the process described earlier which resulted in a Vintaged Tier 2 rate of \$40 / MWh.
1. **Utility A:** Customer was committed to supply its above-HWM load through 2014 with 10 aMW non-Federal resources (resource cost = \$60 / MWh) and was accordingly not eligible for the Vintaged Tier 2 rate.
 2. **Utility B:** As a Short-Term rate purchaser, Utility B chose to transfer its 10 aMW from the Short-Term to the Vintage offered (Tier 2 rate = \$40 / MWh).
 3. **Utility C:** As a purchaser of the Load-Growth rate, customer was not eligible to take service at the new Vintaged Tier 2 rate. Customer remains committed to take 10 aMW at \$55 / MWh (BPA's Load-Growth rate)



Example of Tier 2 Purchases:

Slide 4 - Wholesale power cost for each customer in FY2014

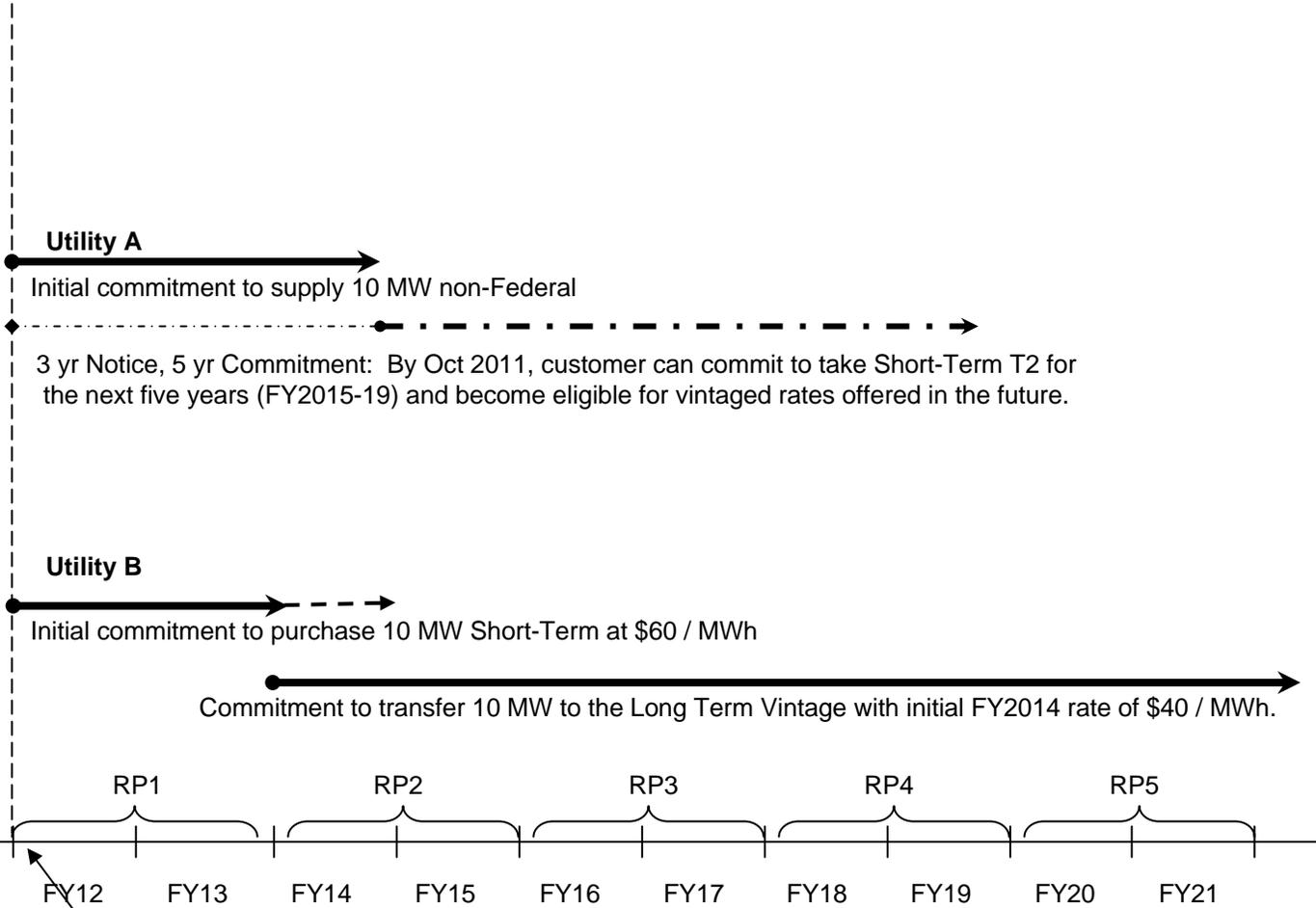
<u>Utility A</u>	<u>aMW</u>	<u>Rate (\$/MWh)</u>	
Tier 1	50	30	1500
Tier 2	0	0	0
Resource	10	60	600
			2100
Average Wholesale Rate (\$/MWh) =			\$35
<u>Utility B</u>	<u>aMW</u>	<u>Rate (\$/MWh)</u>	
Tier 1	50	30	1500
Tier 2	10	40	400
Resource	0	0	0
			1900
Average Wholesale Rate (\$/MWh) =			\$32
<u>Utility C</u>	<u>aMW</u>	<u>Rate (\$/MWh)</u>	
Tier 1	50	30	1500
Tier 2	10	55	550
Resource	0	0	0
			2050
Average Wholesale Rate (\$/MWh) =			\$34



Example of Tier 2 Purchases: Slide 5 - Illustration

Utility A: By committing non-Federal for the first three delivery years the customer is not eligible for service under vintaged T2 rates that start during that three-year period. Customer maintains flexibility to take Short-Term T2 (would need to notify BPA by Oct 2011) and become eligible for vintaged rates offered for delivery years FY15 forward.

Utility B: Customer maximizes flexibility by committing to only a three year T2 purchase and maintaining eligibility to subscribe to potential vintaged rates (as it chose to do) or decide to supply power from non-Federal resources when commitment to Short-Term expires. Customer remains exposed to short-term market price volatility inherent in Short-Term rate.



Contracts signed: Commitment to Load Growth (or above FWM is served for Shared Risk) Issued Dec. 4, 2007

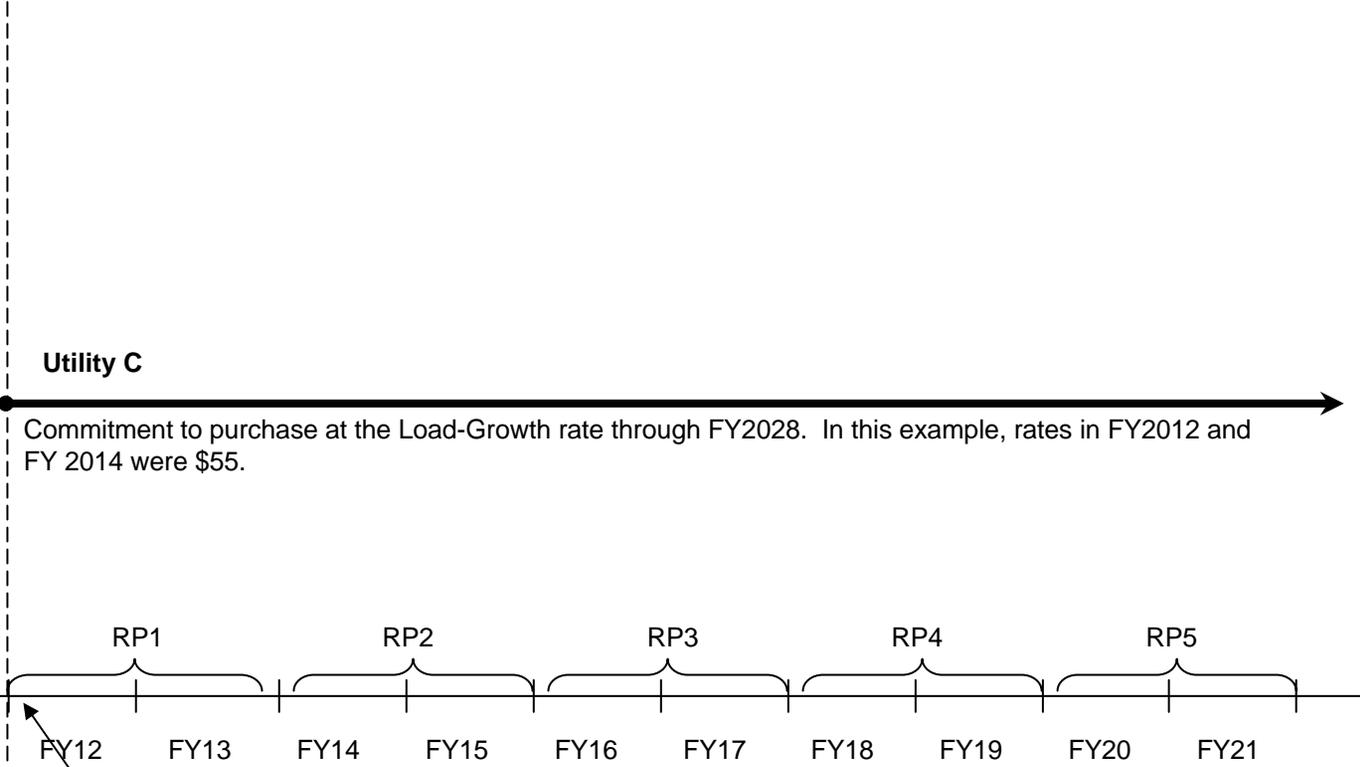
Initial Commitment: Commitment to how load is served for FY2012-14

Delivery Begins

For Regional Dialogue Discussion Purposes Only -- Pre-decisional

Example of Tier 2 Purchases: Slide 6 - Illustration

Utility C: Customer committed to take Load-Growth T2 for the term of the contract. The initial rate was favorable relative to the Short-Term rate and the non-Federal resource, but over time, the Load-Growth rate may be higher or lower than the other rates, including potential Vintaged rates. The customer will not have access to these other rates.



Contracts signed:
Commitment to Load Growth (or Shared Rate)

Initial Commitment:
Commitment to how load above HWM is served for at least FY2012-14

Delivery Begins



Long-Term Tier 2 Rate Alternatives – Additional Considerations

- **Limits on Buying Resource Amounts Ahead of Need:** BPA will work with customers to develop limits around resource acquisitions ahead of customer purchase commitments (e.g. load in the *Load-Growth Rate* pool would likely start very small and be several times larger by the end of the contract).
 - One idea is that BPA could buy ahead of need for a Long-Term Tier 2 rate alternative only as long as there is sufficient load in the Short-Term pool to absorb the excess. The practical implication of this approach is that BPA would be unable to acquire excess resource amounts for a Long-Term Tier 2 rate alternative beyond the commitment term of the Short-Term pool.
 - Another idea would be to set an amount BPA could buy ahead of need based on an assumption there will always be some amount of load in the Short-Term Tier 2 rate pool.



Long-Term Tier 2 Rate Alternatives – Additional Considerations continued

- **Disposing of Over-Purchased Amounts:** In a scenario where BPA acquires a resource for a given Tier 2 rate pool that exceeds the near-term load served from that rate pool, BPA would “lay off” the excess power with the Short-Term pool.
 - For Example – *Load-Growth Rate*:
 - 2012 Load-Growth pool load forecast: 40 MW
 - 2014 Load-Growth pool load forecast: 50 MW
 - BPA acquires for the Load-Growth pool 50 MW through a 10 year PPA
 - 2012 surplus of 10 MW – lay off in Short-Term pool
- **Accounting Systems:** BPA’s cost accounting systems will place and maintain the costs of long term resources within the proper cost pool or vintage where they will remain for the term of the agreement.



Tier 2 Alternatives - Summary

Tier 2 Alternative	Notice to Purchase	Minimum Commitment	Eligibility	When Offered
Load-Growth	Contract signing	Contract duration	Load Following	Only at contract signing
Shared-Rate Plan	Contract signing	Contract duration, 1-time right to stop participation	Load Following	Only at contract signing
Short-Term	November 2009, then 3-years	3-years initially, then 5-years	All customers	By November 2009, then every five years
Specific Vintages (including Renewable Vintages)	Load transfer from Short Term (intent is to offer by Nov 2009)	Long-term, could vary by resource	Short Term purchaser	Periodically (intent is to first offer by November 2009)

Tier 2 Alternative	Indicative Rate / Resource Details	"Greenness"	Additional Features/Requirement's
Load-Growth	No	None with Tier 2 (EPP available with Tier 1)	
Shared-Rate Plan	No	None with Tier 2 (EPP available with Tier 1)	1) Customers pool their T1 and T2 energy costs and pay the same energy rate (thus costs of load-growth are shared). 2) Tier 2 sold at the Load-Growth rate only. 3) One time right to stop participation.
Short-Term	No	None	Option to Transfer load to Specific Vintage when offered
Specific Vintages (including Renewable Vintages)	Yes	RECs included (when associated with the vintage resources)	

Tier 2 Alternative	Required to Specify Quantity		Combinable w/	
	Load Following	Block/Slice	Non-Federal	Other Tier 2 Alternatives
Load-Growth	No	Not Eligible for rate	1 time, @ contract signing	1 time, @ contract signing
Shared-Rate Plan	No	Not Eligible for rate	1 time, @ contract signing	No (Load Growth only)
Short-Term	No.	Yes, Specify for 3 years initially, then 5 yrs	Yes	Yes
Specific Vintages (including Renewable Vintages)	Yes	Yes	Yes	Yes

