

April 5, 2010

FAQs for the Tier 2 Vintage Rate Statement of Intent

Questions and answers

1. What is a Statement of Intent?

A Statement of Intent, or SOI, is a statement, prepared by BPA and signed by an eligible customer, that describes the approach and cost structure that will be used for a specific Tier 2 Vintage Rate Cost Pool. Once executed, a Statement of Intent creates a binding commitment by the customer to purchase a specified amount of firm requirements power at a Tier 2 Vintage Rate, if such a rate is established.

2. Who is eligible for service at a Tier 2 Vintage Rate?

Subject to the amounts of power BPA makes available at one or more Tier 2 Vintage Rates, a customer will have the right to convert some or all of the amounts of Firm Requirements Power it has elected to purchase at Tier 2 Short-Term Rates, as stated in section 2.4 of Exhibit C of their CHWM Contract, to an equal purchase amount at Tier 2 Vintage Rates. In FY 2014, forecast Tier 2 Short-Term Rate purchases of seven customers, totaling 32.0 aMW, could be converted to Vintage Rate service. In FY 2015, Tier 2 Short-Term Rate purchases of as many as twenty-three customers, with as much as 137.0 aMW, could be converted to Vintage Rate service. In addition, at BPA's election, additional power may be concurrently offered to other customers under the Tier 2 Vintage Rate.

3. When will BPA make a Tier 2 Vintage Rate Statement of Intent available?

BPA will make a Tier 2 Vintage Rate Statement of Intent available when and if a sufficient number of eligible customers show an interest in BPA making one or more Statements of Intent available. BPA will then propose and offer a Vintage Rate once a sufficient number of eligible customers sign Statements of Intent with BPA specific to that proposed rate. BPA will begin assessing interest levels with Account Executives outreach beginning in 2011, and then periodically in the future.

4. What is the purpose of the "Sample Statement of Intent" being shared with customers now?

The purpose of the "Sample Statement of Intent" is to give customers a sense of what a Statement of Intent could look like for a sample Vintage Rate that is based on the costs of a longer-term market-sourced purchase. Different Vintage Rates would require different Statements of Intent due to differences in the types of costs that could be assigned to the different Vintage Rate cost pools.

5. What kinds of Tier 2 Vintage Rate(s) will BPA offer?

Customer interest (in terms of both resource cost type and megawatt amounts) and BPA's Resource Program will dictate the kinds of Vintage Rate(s) BPA will offer in the future. Currently, BPA is willing to explore customer interest in Vintage Rates based on longer-term market purchases or based on the costs of renewable resources.

6. When will BPA set Tier 2 Vintage Rate(s)?

BPA will establish Tier 2 Vintage Rates in formal 7(i) proceedings.

7. Could a Tier 2 Vintage Rate change over time?

Yes. A Vintage Rate may be revised in future 7(i) proceedings.

8. What happens if customers' requests for a Vintage Rate exceed availability?

If requests for service at a Tier 2 Vintage Rate in any year are in excess of the amount purchased by BPA, then each customer's request for purchase at the Tier 2 Vintage Cost Pool will be reduced *pro rata* based on the customer's originally requested amount as compared to the total amount of power requested of BPA for such Tier 2 Vintage Cost Pool. The customer will continue to buy at the Tier 2 Short-Term rate to compensate for the reduction.

9. What happens if a customer signs a Statement of Intent but BPA does not establish the Vintage Rate associated with the Statement of Intent?

If BPA is unable to establish a Vintage Rate or cannot meet the conditions set forth in a signed Statement of Intent, then the customer will be relieved of any obligations under that Statement of Intent. Load service will remain at its previously established Tier 2 Short-Term Rate.

10. Does BPA require a minimum amount of load commitment before starting the process of establishing a Vintage Rate?

BPA must receive requests for service at the Tier 2 Market Sourced Vintage Rate, as specified in Statements of Intent executed by customers, in an aggregate load amount of 10 aMW or more for each year that Vintage Rate is to be offered. Other future Vintage Rates may require different minimum load commitment amounts, depending on the type of base resource costs included in the Vintage Rate Cost Pool and other market sourcing variables.

11. Will BPA guarantee the cost of the power used to establish the Vintage Rate as part of the Statement of Intent?

No. BPA will establish the actual rate for each Rate Period, for power BPA supplies at the Tier 2 Vintage Rate as part of the preceding 7(i) proceeding. The Statement of Intent will only guarantee the maximum price BPA will pay for power to be procured as part of offering such a rate.

12. Do customers have a choice of the within-year shape of the power they purchase at the Vintage Rate?

No. Vintage Rate service will be priced as if delivered in a flat annual block of power, just as will be done for all Tier 2 Rates.