REP Settlement Concept – **Ref. Case with Single PFx & Like-for-Like Transmission v2**

| Feature | Context |
|---|---|
| **Average System Cost Methodology** | 2026 ASCM BPA Staff proposal. **2026 ASCM to include only like-for-like transmission costs compared to those included in BPA Power rates.** |
| **Calculation of REP Benefits (**BP-26 Final Proposal vintage information for years 2029 and 2030) | Base REP Benefits calculated using Reference Case as updated for:<br><br>1. General updates consistent with the BP-26 Final Proposal.<br>2. Resource stack refinements – increase in the assumed cost of the resources in the stack and removal of Mid-C resources owned by public customers without a PF contract.<br>3. Use a single PFx rate which can increase the total REP benefits paid when an exchanging utility would otherwise go negative after 7(b)(3) is applied.<br>4. Removal of transmission costs from ASCs that are not included in BPA's power rates (*i.e.,* third-party transmission costs and transmission costs associated with sales for resale would be included in ASCs).<br><br>BPA would also calculate a "**Settlement Term 7(b)(3) Amount" (estimated at $27.88/MWh)** for the 16-year settlement term.<br><br>**Estimated REP Benefits at $151.1 million per year*****  |
| **Below are BPA Staff Proposed Negotiable Implementation Details** | |
| **Separating REP Benefits by Source** | BPA would separate the $151.1 million in REP Benefits into Base REP Benefits, Variable REP Benefits related to secondary revenue, and 7(b)(3) rate surcharge REP Benefits.<br><br>*+ $124.2 million Base REP Benefits*<br>*+ $24.2 million Variable REP Benefits*<br>*+ $2.7 million IP 7(b)(3) REP Benefits*** (contingent on IP load)*<br>*+$TBD million NR 7(b)(3) REP Benefits*** (contingent on NR load)*<br>*= $151.1 million Expected REP Benefits per year on average.* |
| **Estimated Size of Base REP Benefits** | Estimated to be **$124.2 million per year** on average over the 16-year settlement term. |
| **Shape of Base REP Benefits** | Front loaded shape using an NPV calculation with a 2% annual inflation rate**. First year (FY 2029) estimated at $174 million** and **last year (FY 2044) estimated at $69.4 million**. |
| **Variable REP Benefits** | BPA to calculate a P10 hydro capability by water period for a defined set of federal hydro resources. Water periods (e.g., months/partial months) would be proposed and adopted in each 7(i) Process. When actual generation at these specific hydro projects is above the rate case determined P10 amount, **exchanging utilities would receive an estimated ~5.2% of the actual output financial value**. The ~5.2% would be calculated once and set for the settlement term and represents the PF exchange share of the secondary energy value that remains after 7b3 is applied. The ~5.2% is calculated with the following formula:<br><br>$$\frac{PFx\ Load}{PFp + PFx + IP\ Load} \times \frac{BaseREPBenefits}{UnconstrainedBenefits}$$<br><br>**Expected case ~$24.2 million per year** |

| | |
|---|---|
| **Exchange Eligibility** | IOU must have an annual ASC higher than PF **Un**bifurcated rate prior to any 7(b)(3) allocation. |
| **Allocating REP Benefits to Eligible Exchanging Utilities** | Apply the **same method as was adopted in the current settlement agreement**, which is a proportional allocation of REP settlement benefits based on a utility's unconstrained benefits relative to the sum of all exchanging utility unconstrained benefits. |
| **IP Rate** | BPA would set IP rate for Port Townsend Paper using a post-7(b)(3) IP-PF Link. This means the cost of the Settlement Term 7(b)(3) Amount allocated to Port Townsend Paper IP load will be proportionally recovered from PFp and IP loads. The IP rate for Port Townsend Power would be equal to PF Public Rate + typical margin – Value of Reserves. For any other IP Load, the IP rate would be set equal PF Public Rate + typical margin – Value of Reserves + Settlement Term 7(b)(3) Amount. Any revenue generated from the Settlement Term 7(b)(3) Amount applied to IP loads, including any portion associated with Port Townsend Paper, would be allocated at the end of each fiscal year to exchanging utilities with the following equation:<br><br>$$UtilityShare = IP\_7(b)(3)Rev \times \frac{UtilityBaseBenefits}{\sum UtilityBaseBenefits}$$<br><br>**Estimated REP Benefits at $2.7 million per year*** ***** *(contingent on IP load)*<br><br>***** *If IP load is zero for any reason, including if current Port Townsend Power load were to become eligible for PF power, this portion of the REP Benefits would go away.* |
| **NR Rate** | BPA to set all NR power rates including the Settlement Term 7(b)(3) Amount. BPA would also set a **new NR rate** for discretionary and term-limited requirements power based on BPA resource costs plus other costs that it determines are being used/incurred to serve such load plus the Settlement Term 7(b)(3) Amount. Revenue generated from the Settlement Term 7(b)(3) Amount would be allocated at the end of each fiscal year to exchanging utilities with the following equation:<br><br>$$UtilityShare = NR\_7(b)(3)Rev \times \frac{UtilityBaseBenefits}{\sum UtilityBaseBenefits}$$<br><br>**Estimated REP Benefits TBD*** ***** *(contingent on NR load)*<br><br>***** *If BPA provides NR load service, this would provide additional REP benefits, else, this would be equal to zero.* |
| **Risk** | Similar to the Slice and Non-Slice products, the REP would not be subject to any mid-rate period adjustments for risk as exchanging utilities would directly bear the risk of secondary revenue, would be paid benefits based on actual 7(b)(3) revenue generation, and would have known and fixed Base Benefits regardless of actual rate-period changes in BPA's or the IOUs costs and loads. |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Settlement Term 7(b)(3) Amount ($/MWh) | 27.88 | | | | aMW | | | | | | |
| | | | | | | | Unconstrained REP Benefits ($millions) | 662.2 | | | PFp Load | 7686.7 | | | | | | |
| | | | | | | | | | | | Eligible PFx Load | 2132.1 | | | | | | |
| | | | | | | | RAM Calculated Total REP Benefits ($millions) | 157.3 | | | IP Load | 11.4 | | | | | | |
| | | | | | | | RAM NR 7(b)(3) REP Benefits ($millions) | 6.2 | | | NR Load | 26.4 | | | | | | |
| | | | | | | | RAM Calculated Total REP Benefits less RAM NR 7(b)(3) REP Benefits ($millions) | 151.1 | | | Total Load (excluding NR) | 9830.1 | | | | | | |
| | | | | | | | REP % Share of Secondary Inventory | 5.2% | [Eligible PFx Load]/[[PFp Load]+[PFx Load]+[IP Load]] x [REP Benefits]/[Unconstrained REP Benefits] | | | | | | | | | |
| | | | | | | | Expected Secondary ($millions) | $ 465.6 | | | | | | | | | | |
| | | | | | | | Expected REP Share of Secondary | $ 24.2 | | | | | | | | | | |
| | | | | | | | | Total Expected REP Benefits | Expected Secondary | IP 7(b)(3) | Average Base REP Benefits | | | | | | | |
| | | | | | | | | $ 151.1 | $ 24.2 | $ 2.7 | $ 124.2 | | | | | | | |
| | | 2% | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year |
| ($millions) | | **NPV** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Flat Base REP Benefits | | $1,686 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 | 124.2 |
| Shaped Base REP Benefits | | $1,686 | 174.0 | 166.9 | 159.8 | 152.7 | 145.6 | 138.4 | 131.3 | 124.2 | 117.4 | 110.5 | 103.7 | 96.8 | 90.0 | 83.1 | 76.3 | 69.4 |
| NPV Equal? | | TRUE | Front Base REP Payments | | | | | | | Midpoint | Back Base Payments | | | | | | | |
| | | | | | | | | | | Base REP Benefits Shape | | | | | | | | |
| | | | | | | | | | | Front Add ($millions) | Back Subtract ($millions) | | | | | | | |
| | | | | | | | | | | 7.12 | 6.85 | | | | | | | |
| | | | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Fixed Base REP Benefits ($millions) | | | $ 174.0 | $ 166.9 | $ 159.8 | $ 152.7 | $ 145.6 | $ 138.4 | $ 131.3 | $ 124.2 | $ 117.4 | $ 110.5 | $ 103.7 | $ 96.8 | $ 90.0 | $ 83.1 | $ 76.3 | $ 69.4 |
| Expected Variable REP Benefits ($millions) | | | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 | $ 24.2 |
| IP 7(b)(3) REP Benefits*** ($millions) | | | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 | $ 2.7 |
| NR 7(b)(3) REP Benefits*** ($millions) | | | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD |
| Total Expected REP Benefits*** ($millions) | | | **$ 200.94** | **$ 193.82** | **$ 186.70** | **$ 179.58** | **$ 172.46** | **$ 165.34** | **$ 158.22** | **$ 151.10** | **$ 144.25** | **$ 137.40** | **$ 130.55** | **$ 123.70** | **$ 116.85** | **$ 110.00** | **$ 103.15** | **$ 96.30** |
| | | *** Contingent on actual IP and NR load | | | | | | | | | | | | | | | | |



***For Settlement Discussion Purposes Only***