2013 Network Open Season

Customer Meeting

August 6, 2013

Objectives

- Refresher on Network Open Season Reform decisions
  - Financial requirements and timing
  - Sequence of Network Open Season phases
- Discussion of proposal for the timing of PTSA offer

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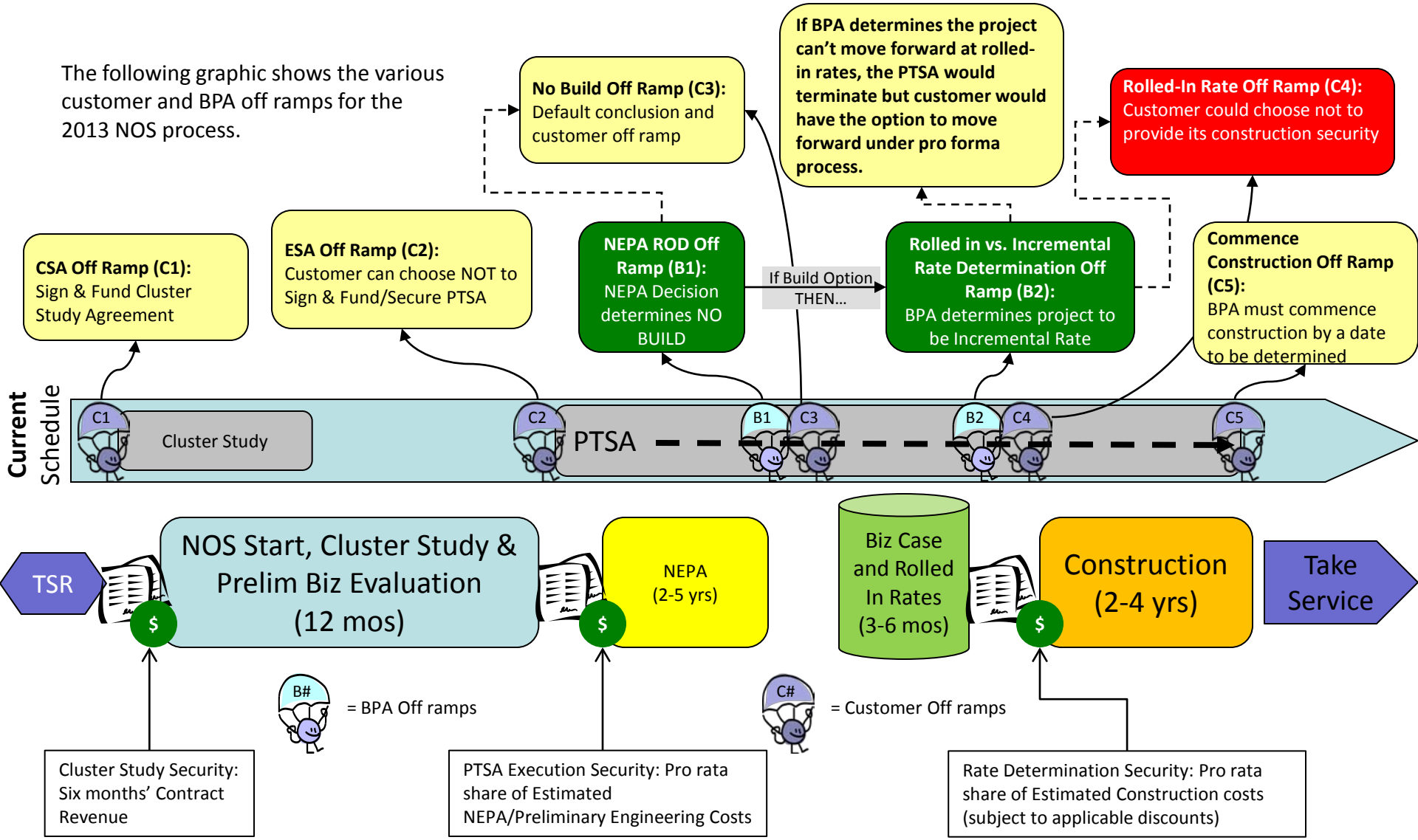
Network Open Season Process

The following graphic shows the various customer and BPA off ramps for the 2013 NOS process.



NOS Financial Requirements

- Cluster Study
  - 2013: *Pro forma* OATT-based Cluster Study
    - Funded by customers on $/MW pro rata share
  - Post-2013:
    - Security equal to 6 months of Transmission Service
    - Cluster Study process will be part of FERC filing

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NOS Financial Requirements (cont.)

- Preliminary Business Case
  - Will identify projects that are likely candidates for eventual rolled-in rate treatment
- Phase I: Preliminary Engineering and NEPA
  - Customers will secure estimated pro rata share of Phase I costs on a $/MW basis
  - TSRs that require multiple builds will be required to provide security for all needed projects
  - Security for Cluster Study will be applied toward Phase I requirement
    - Could consider higher-of scenario (security provided for Cluster Study vs. Phase I requirement)

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NOS Financial Requirements (cont.)

- Phase II: Construction
  - Phase I security will roll over into Phase II
  - Customers will secure construction costs based on their $/MW pro rata share, subject to applicable reductions (see Appendix 1 for additional information)
  - TSRs that require multiple build projects will be required to provide security for all needed builds
  - Customers that do not continue forward in the process will be required to pay for their share of costs incurred

NOS Process Milestones

- Cluster Study Phase
  - Customers offered Cluster Study Agreement around August 1, 2013. Must be returned and funded within 15 calendar days (around August 15).
  - Queue restack will be conducted once all Cluster Study Agreements are returned.
    - If AFC becomes available, then BPA will offer service
  - Cluster Study targeted to commence at the beginning of September
    - Target to finish Cluster Study within 120 days

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NOS Process Milestones (cont.)

- Phase I: NEPA and Preliminary Engineering
  - Results of Environmental Review and Preliminary Engineering:
    - Alternative routes analysis
    - More accurate Construction cost estimates based on Preliminary Engineering and Scoping work

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NOS Process Milestones (cont.)

- Formal Business Case Determination: Factors
  - NEPA Record of Decision
  - CIFA
  - REBA
  - Secured commitment to proceed to Phase II
- Results in a rolled-in rate determination or incremental rate determination

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NOS Process Milestones (cont.)

- Phase II: Construction and Energization
- Decision to build at rolled-in rates will result in construction of identified expansion facility
- Customers will be returned security over the term of their requested transmission service as they take service
  - E.g., 20% per year over a five-year term

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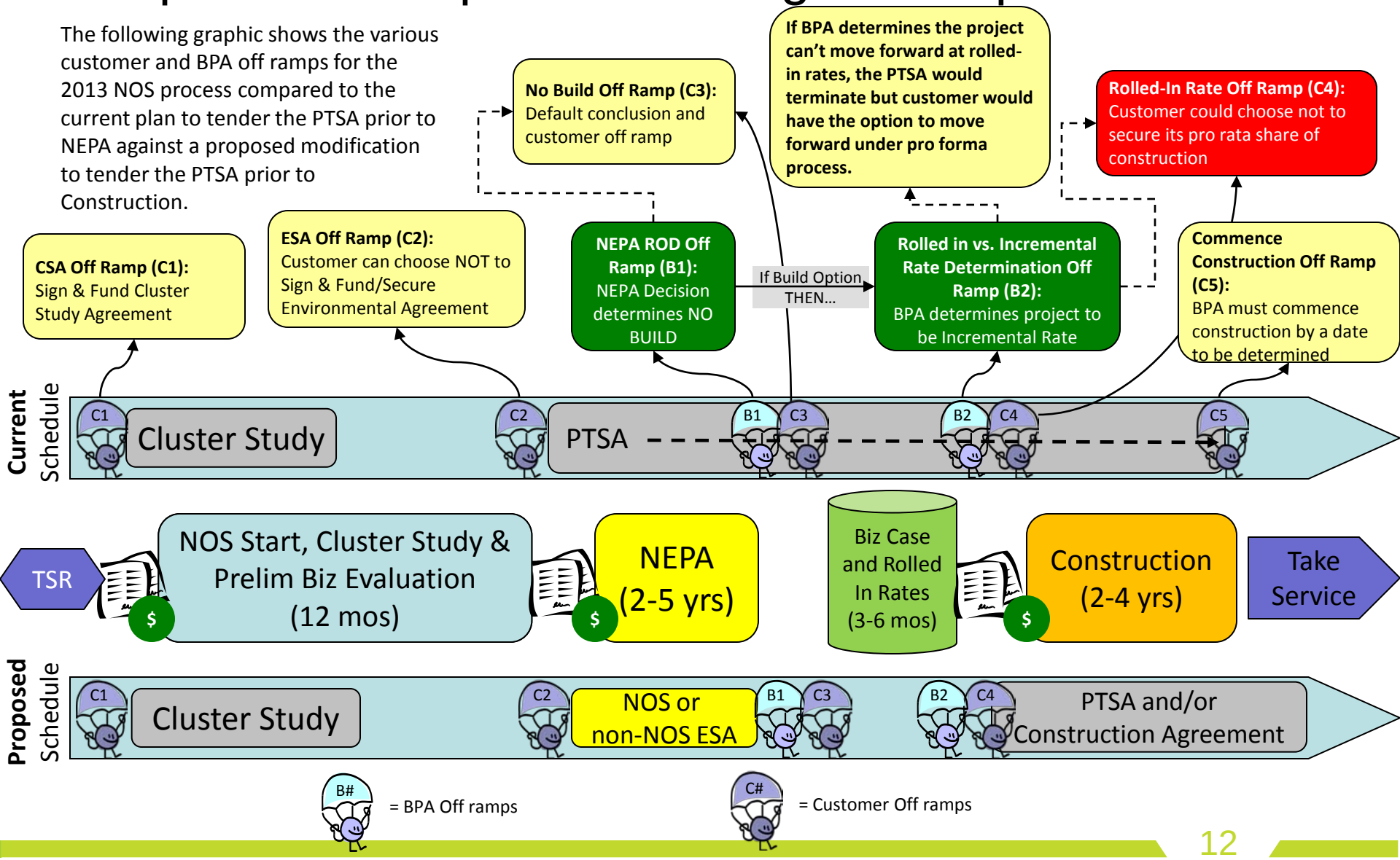
Proposal for Discussion

- BPA would offer the PTSA immediately prior to the final rate determination and decision to build (Phase II)
- Phase I would be governed by separate Environmental Study and Preliminary Engineering Agreement
  - Identical financial requirements under either approach
- BPA will use secured and executed PTSAs from Customers as input to the final rate determination

Comparative Graphic – Existing vs. Proposed Process

The following graphic shows the various customer and BPA off ramps for the 2013 NOS process compared to the current plan to tender the PTSA prior to NEPA against a proposed modification to tender the PTSA prior to Construction.



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Comments Requested

- Please submit comments on the proposal to offer the PTSA following the completion of the NEPA/Preliminary Engineering phase by COB Wednesday, August 21st

Next Steps

- Reminder: Customers must sign and fund the 2013 Cluster Study Agreements within 15 days of receipt
- Queue re-stack will occur following receipt of all executed and funded Cluster Study Agreements
- Customer meeting on Cluster Study assumptions mid-to-late August
- Staff is developing the 2013 NOS Bulletin and the revised NOS Agreement(s), and will engage Customers on these developments and other outstanding issues
  - As examples:
    - Policy on original TSRs with less than a 5-year term
    - Deadline to begin construction, following a rolled-in rate determination
    - “Flowability” concerns

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Appendix 1: Construction Security Reduction Table

- All customers/requests that are not associated with a DNR would be evaluated using the table below
- No customer would be allowed to post less than 50% of its pro rata share of construction costs (except customers that can attest to a DNR)

	Credit Rating	Weighted Discount
Group I (One Only, if Applicable)	AA- to AAA (includes AA-, AA, AA+ and AAA)	25%
	A-, A, A+	20%
	BBB-, BBB, BBB+	15%
	If not already rated by third-party rating agency, then the customer can submit financial information and BPA will assign an internal rating	15-25%
	Rate Base with Rate Setting Ability that is:	
Group II (One Only, if Applicable)	Not Subject to Regulatory Approval	20%
	Subject to Regulatory Approval	15%
	Status of Generation Resource	
Group III (As Many As Applicable)	Demonstrable GI Progress (met site permit milestone)	10%
	Executed PPA (written confirmation)	5%
	Additional Considerations	
Group IV (As Many As Applicable)	TSR Term Length: ≥ 10 years or ≥ 20 years*	5-10% (or 10-20%*)
	Commitment to Advance Fund Entire Financial Obligation	5%
	Number of Deferrals Waived (up to 5)	1%/Yr

*** TSR Term Length has a special application in that if the eligible customer also meets a criterion in Group I or Group II, then the applicable discount is doubled (≥ 10 years = 10%, ≥ 20 years = 20%)**

Appendix 2: Example Criteria for Preliminary Business Evaluation Process

	Metrics	Explanation and Threshold
1)	Net Present Value (NPV)	Financial evaluation of the project results in a positive NPV.
2)	Customer & MW Diversity	Types of customers requiring project represent as broad a cross-section as possible and the involved MW aren't for a single customer.
3)	Access to Capital	Project has the desired impact to access to capital.
4)	Regional Economic Benefit Analysis (REBA)	Project delivers economic benefits to the region.
5)	Reliability and/or Load Service Benefits	Project delivers reliability benefits or is necessary to meet future load obligations. Where possible, convert into financials that can be incorporated into CIFA. TSRs are backed by a signed PPA, DNR attestation and/or demonstration of delivery to NW load.
6)	Project Readiness	Project needs no or limited further evaluation to define scope, costs and NEPA/project schedule (i.e. M2W required results of SSR study before project capacity could be clearly defined).
7)	Supports Regional Policies	TSR demonstrates support of a regional policy (e.g. associated with new wind resource).

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