

Network Open Season Reform: Financial Commitment Alternatives

September 20, 2012



Overview

- **Multi-staged Financial Commitment**
 - Aligned with strategic points in the NOS reform process (risk mitigation for BPA and customers)
 - Increasing customer commitment over multiple stages allows for customers to make strategic business decisions that can inform BPA's transmission planning assumptions
- **Study Phase Financial Commitment goals:**
 - Ensures significant demonstration of commitment
 - Allows BPA to recover its costs of all aspects of the Study Phase (cluster study, preliminary engineering, pre-NEPA work, and the NEPA Process)
 - Provides an incentive to enter and remain in the NOS process
- **Construction Phase Financial Commitment goals:**
 - Appropriately mitigate risk (through security/funding obligations) relative to those that represent or cause the risk
 - Provide benefits to customers participating in NOS, relative to the non-NOS path (shared BPA/customer risk)

Study Phase Alternatives

Alternative	Initial Financial Commitment (FC1)	Secondary Financial Commitment (FC2)
1	Pro Forma (Customers pay for all studies)	Pro Forma (Customers pay for all studies)
2.A	Status Quo (1 year of Contract Revenue)	N/A
2.B	6 Months of Contract Revenue	6 Months of Contract Revenue
3	6 Months of Contract Revenue	20% of pro rata share of Estimated Capital Costs
4	Financial Commitment is correlated to customer financial evaluation	Financial Commitment is correlated to customer financial evaluation

Construction Phase Alternatives

Alternative	Construction Phase Financial Commitment (FC3)
I	Pro Forma – Customer provides acceptable security for 100% of its pro rata share of the commercial costs
II	Uniform financial commitment (security/advance funding) for all NOS customers, at some level less than pro forma dictates
III	Tiered financial commitment (security/advance funding) based on evaluation of underlying request using objective criteria
IV	Co-financing requirement to mitigate rate impact of NOS transmission credits and preserve BPA access to capital

*As presented at prior NOS meetings, financial commitment provided for the Study Phase would be allocable toward meeting the customer’s FC3 obligation

Next Steps

- Specific customer feedback on which Study Phase and Construction Phase alternatives are most or least preferred would help shape the ultimate recommendation to management
- The preliminary list of criteria that could be used to determine a tiered commitment methodology is appended to this presentation; specific feedback on which of these criteria would be most effective at mitigating risks of stranded costs would be helpful

Appendix

Preliminary List of Criteria for Determining Tiered Financial Commitment

Criteria	Description
Financial Risk of Customer	Evaluation of Customer, consistent with BPA Transmission’s credit policies
Customer’s Commitment to Advance Fund Construction	Whether a Customer commits to advance fund its share of Construction Phase, as opposed to providing security
Market Assessment of Request	An evaluation of the certainty that may be associated with the requested capacity/service (whether the request is tied to load service, a generator interconnection request, or some other indicator; or, whether the requested path has a high likelihood of being resold, e.g.)
Executed PPA	Whether a TSR is associated with a PPA at the point of construction, or becomes associated with a PPA at any point during the Construction Phase
Designated vs. Forecasted Network Resource	Whether the TSR is associated with a Designated Network Resource (DNR) or a forecasted Network Resource
TSR Term Length	The term length of the underlying request
Limitations on Deferral Rights	Whether the Customer agrees to limit its ability to extend its service commencement date