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June 5, 2018

MEMORANDUM

TO: Council Members

FROM: Ben Kujala


SUBJECT: BPA/PGE Power Purchase Agreements

BACKGROUND:

Presenter: John Wellschlager, Bonneville

Summary: Bonneville and Portland General Electric reached a power purchase agreement that will help fill a projected shortfall in PGE's generating capacity after the Boardman Generating Station ceases coal-fired operations in 2020. John Wellschlager will present on the Bonneville perspective of this agreement.

More Info: <https://www.bpa.gov/news/newsroom/releases/Documents/20180307-PR-04-18-New-agreements-will-deliver-clean-BPA-power-to-PGE-customers.pdf>



Bonneville Power Administration


**NW Power & Conservation Council
Meeting**

***PGE Capacity Sale for the 2021-2025
timeframe - inform***

John Wellschlager – Account Executive, BPA

June 12, 2018 Council Offices

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Background/Overview

- PGE’s Boardman Coal Plant is currently scheduled to stop burning coal by 2021.
- Deliberations within PGE have been underway for several years about how best to backfill this resource loss. Included in this process were public meetings regarding their Integrated Resource Plan (IRP).

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Background/Overview (continued)

- PGE's reported total capacity need was approximately 561 MW in 2017.
- Beginning last year, PGE began bilateral discussions with potential suppliers in the region about meeting this remaining need. The OPUC, environmental groups and rate payer groups emphasized exploring existing regional low or zero carbon resources.
- Once it became apparent that PGE was actively pursuing this approach, BPA followed up to see if they had renewed interest in products BPA might be able to offer.

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Discussions with PGE

- PGE stated they were interested and BPA shared that we could offer up to 200 MW of an advance notice capacity product for the period in question.
- As an aside, due to high flows in the spring, BPA can not operationally guarantee the availability of 10 minute dispatchable capacity 24/7 across a 12 month timeframe.
- In order to continue discussions, BPA was required to sign a non-disclosure agreement with PGE.
- Along with the other counterparties at the table, we made our initial indicative offer (Term Sheet) of 100 MW for an advance notice capacity product.

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BPA's Goals with this sale

- Strengthen BPA's financial health by locking in additional future revenues.
- Create a product that carries minimal operational and financial risk to our ratepayers.
- Gain additional value from the clean, renewable and very low carbon system energy offered from the FCRPS *in a NW sale*.
- Competitively and creatively market BPA surplus capacity and energy in a way that meets both PGE's and BPA's needs.

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Basic Product Outline

Advance Notice Capacity Product – two contracts, both very similar in structure.

Capacity fee - \$X.XX/kW-month. The capacity fee is paid each month regardless if any energy is actually delivered.

Energy fee – priced at a % of an hourly index

Amount – up to 100 MW each on any hour for each contract

Transmission – Delivered to NW hub at Mid-C with a clause to negotiate other delivery points on an as needed basis.

Term – Jan. 1, 2021 through Dec. 31, 2025

Capacity Increase – One year before the start of each delivery year, BPA has the option to offer PGE additional capacity on a monthly basis. Pricing & availability to be determined by BPA. PGE is not obligated to accept any offer.

Carbon Content – All energy is designated as an Asset Controlling Supplier (ACS) product delivered from BPA's system. The exact system mix, including carbon, will be reported at the end of each year consistent with CARB requirements.

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Timeline Summary

- June 2017 – Draft & sign a three year Non-Disclosure Agreement with PGE.
- June through July 2017 – on a bi-lateral basis obtain non-binding offers from existing NW resource owners to meet PGE’s energy and capacity needs for the 2021-2025 timeframe.
- Early August – short list 2-3 suppliers to sign non-binding Term Sheets and begin drafting Power Purchase Agreements (PPA).
- Mid August - PGE files for approval with the OPUC to purchase directly from suppliers via a bi-lateral negotiation process in lieu of using the required Request for Proposal (RFP) process.
- September – brief BPA’s Risk Oversight Committee (ROC) on the structure of the potential sale.
- Late October – early November - finalize draft PPA’s for internal review and approval by both BPA and PGE.
- Early December – Final BPA ROC review and approval.
- Early January 2018 – sign PPA’s.
- February 2018 – Final approval by PGE Board



Questions?