



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

POWER SERVICES

December 12, 2018

In reply refer to: PS-6

To Regional Customers and Interested Parties:

In November 2018, the Bonneville Power Administration (BPA) sought public comment on its proposal to terminate the Foote Creek 1 Power Purchase Agreement (PPA) with PacifiCorp (PAC) and Eugene Water & Electric Board (EWEB) before its stated termination date of April 22, 2024.

Only one comment was received on the proposal. BPA appreciates Pacific County PUD No 2's comments and offers the following responses for a better understanding of the proposal.

Question: "If BPA's purchase power agreement for Foote Creek 1 is 37% of wind project generation, why would BPA pay PAC and EWEB 74% of the Agreements Liquidated damages, especially if EWEB will terminate early too?"

Response: BPA's percentage of actual generation (37 percent) is applied to the project's cost of depreciation, revenue, capital expenses in the liquidated damages calculation. Liquidated damages are based on BPA's obligation to pay for its share of project output. The liquidated damages calculation is scaled to BPA's energy take. BPA, PAC and EWEB agreed that BPA only needs to pay 74 percent of the PPA's early termination liquidated damages related to BPA's share of the project output. A discount to this early termination payment of BPA's share of the project output benefits BPA and its customers because BPA will pay only 60 percent of what it would have otherwise paid for project output over the remaining period of generation. A payment was necessary under the terms of the PPA because the contract's power purchase price is above market. Both EWEB and PAC need to recover some portion of the lost revenue of the output sale to BPA associated with early termination.

Question: "Did BPA consider the value of production tax credits, renewable energy credits and repower of the project to full ownership to PAC?"

Response: PAC and EWEB are the project owners. BPA purchases 37 percent of the output capability of the generation from the owners. The production tax credits went to the project owners and expired in 2009. BPA will consider the value of renewable energy credits to Tier 1 customers during the Tiered Rates Methodology, TRM, process. The benefits of repowering the project belong to whoever makes the investment. BPA has no plans to participate in repowering efforts.

Question: "Did BPA net the financial cost to replace the value of the resource?"

Response: BPA assessed the buyout of the contract from the perspective of both BPA's bottom line and that of its ratepayers. Buyout options showed that BPA's avoided costs exceeded its lost revenues. The buyout represented both a positive net present value benefit to BPA, and an anticipated rate reduction. The Foote Creek 1 resource is a "Designated Non-Federally Owned Resource" in Table 3.2 of the TRM. With the early termination of the contract, BPA will propose to set the resource amount to zero in Table 3.2 of the upcoming BP 20 TRM process.

BPA hopes this letter brings greater understanding and thanks Pacific County PUD No. 2 for taking time to comment and submit questions. BPA continues to believe early termination will financially benefit ratepayers and will continue to work with the owners of Foote Creek 1 to effect early termination.

If you have any questions, please contact your BPA Power account executive or me at (503) 230-5175.

Sincerely,



Garry R. Thompson  
Vice President of NW Requirements Marketing