

FY2019 Net Requirements Public Notice

Consistent with section 17.7 of the Regional Dialogue CHWM contract and section 1.1 of Exhibit A thereof, BPA is providing an opportunity for comment on Slice/Block and Block customers' FY 2019 forecast of Total Retail Load and Dedicated Resource data. BPA will use the data regarding customers' actual loads in FY 2017 and other metrics to calculate Slice/Block and Block customers' planned Net Requirements loads for Fiscal Year 2019. Comments will be reviewed and considered by BPA, and BPA will publish its final determinations of customers' Total Retail Load and Dedicated Resource data no later than Sept. 30, 2018. BPA will describe any changes from these initially published data.

In the FY 2018 Net Requirements Process Cowlitz PUD significantly reduced its forecast of planned load for one industrial consumer than BPA's rate case load and current or historical operating levels for this consumer load. Cowlitz identified a significant level of uncertainty for a forecast amount for this specific consumer load. After considerable discussion and review of public comments, BPA accepted Cowlitz's forecast and implemented a liquidated damages provision for any load at the consumer facility in excess of the forecast amount with broad support from other customers with Regional Dialogue Contracts. The FY 2018 planned load approach recognized the load uncertainty this consumer faces, and created a basis to only charge Cowlitz PUD for actual load at the consumer facility above the planned load amount. By doing so, the arrangement allows BPA to recover for BPA's costs incurred in providing service to this load under its rates. This approach has worked well for all parties, and BPA is projecting the liquidated damages provision will provide significant revenue protection of around \$10 million because the observed facility load in FY 2018 exceeded the Cowlitz PUD forecast of 80 aMW.

Once again Cowlitz has stated a planned load amount for this load of 80 MWs but acknowledges that the load may be higher during the year. BPA recognizes that there remains continuing market uncertainty that is affecting Cowlitz PUD's consumer for the foreseeable future. BPA and Cowlitz PUD agree that a liquidated damages provision should be used in FY2019 to address the uncertainties of this load. For FY 2019 Cowlitz requests BPA use an 80 aMW forecast with a liquidated damages provision that charges the absolute value of the Load Shaping True-Up rate for each MWh of load up to 180 aMW at the consumer's facility. BPA's proposal is to accept this approach but with a modification to the upper bound of actual load amount to which the liquidated damages charge would be applied. BPA feels this change is necessary given current operating levels for the load in order for the outcome and forecast to be reasonable.

As BPA explained in its response to comments on the Net Requirements Transparency process in 2018, the observed, measured facility load is important information about and indicative of the level at which a plant could operate in the next year. Recent monthly loads have exceeded the 180 aMW upper bound used in the FY2018 liquidated damages formula, making it unreasonable not to account for the real possibility that annual loads in FY 2019 could also exceed a 180 aMW upper bound. BPA proposes to expand the upper bound of the liquidated damages provision to include the consumer's facility load up to an amount that when added to the power amount provided would equal but not be higher than Cowlitz's FY 2019 Rate Period High Water Mark. This change in the upper bound aligns closely with the recently observed facility load in 2018. The liquidated damages provision would continue to only apply

to load that actually occurs; therefore an expansion of the upper bound will not have an economic impact on Cowlitz PUD if the consumer's load is lower than 180 aMW. The proposed change to the upper bound of the liquidated damages formula recognizes the FY 2018 observed load and will protect BPA's economic interest and that of BPA's other Regional Dialogue customers if Cowlitz PUD's loads are closer to the Rate Period High Water Mark in FY 2019.

BPA recognizes that the uncertainty that is affecting this consumer may continue into future years. Given the positive outcome for Cowlitz and BPA of the arrangements to address the uncertainty, BPA would expect to offer the liquidated damages approach for this load in future years. BPA expects that Cowlitz PUD will recognize the benefit of the adjusted BPA offer of liquidated damages with the modified upper bound and understand that it continues to meet Cowlitz, BPA, and all interested parties' needs. If Cowlitz PUD declines to accept the revised liquidated damages approach, then BPA will use a more traditional point forecast of 198 aMW for this load in FY 2019 based on FY2018 performance and the observed load from May through July of 2018.

FY19 Slice-Block and Block Customer Total Retail Load and Dedicated Resources energy and peak forecasts are available at: https://www.bpa.gov/p/Power-Contracts/Regional-Dialogue/rdi/FY19_SliceBlock_NetRequirements_Transparency_2018-07-31.xlsx

Customers may submit comments on the FY19 Slice/Block and Block Customer Total Retail Load and Dedicated Resources energy and peak forecasts via BPA.gov at <https://www.bpa.gov/applications/publiccomments/OpenCommentListing.aspx>.

Close of comments: 8/15/18, 5:00 PM