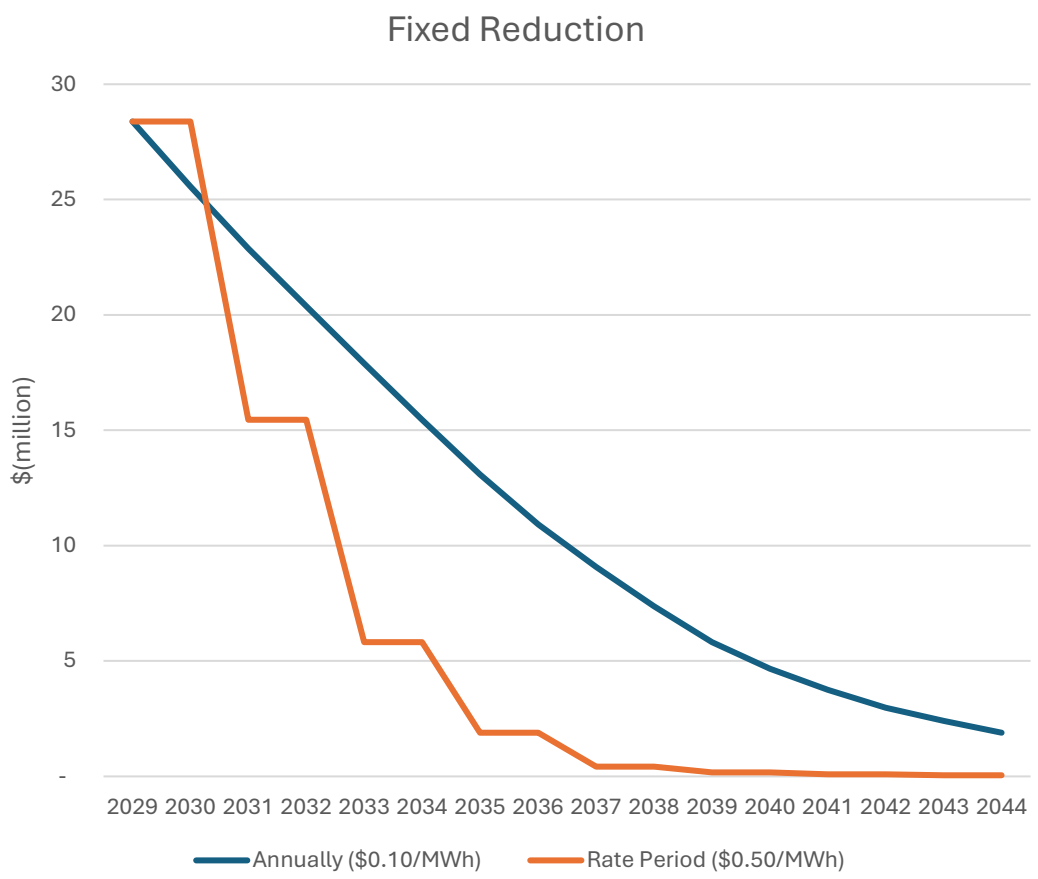
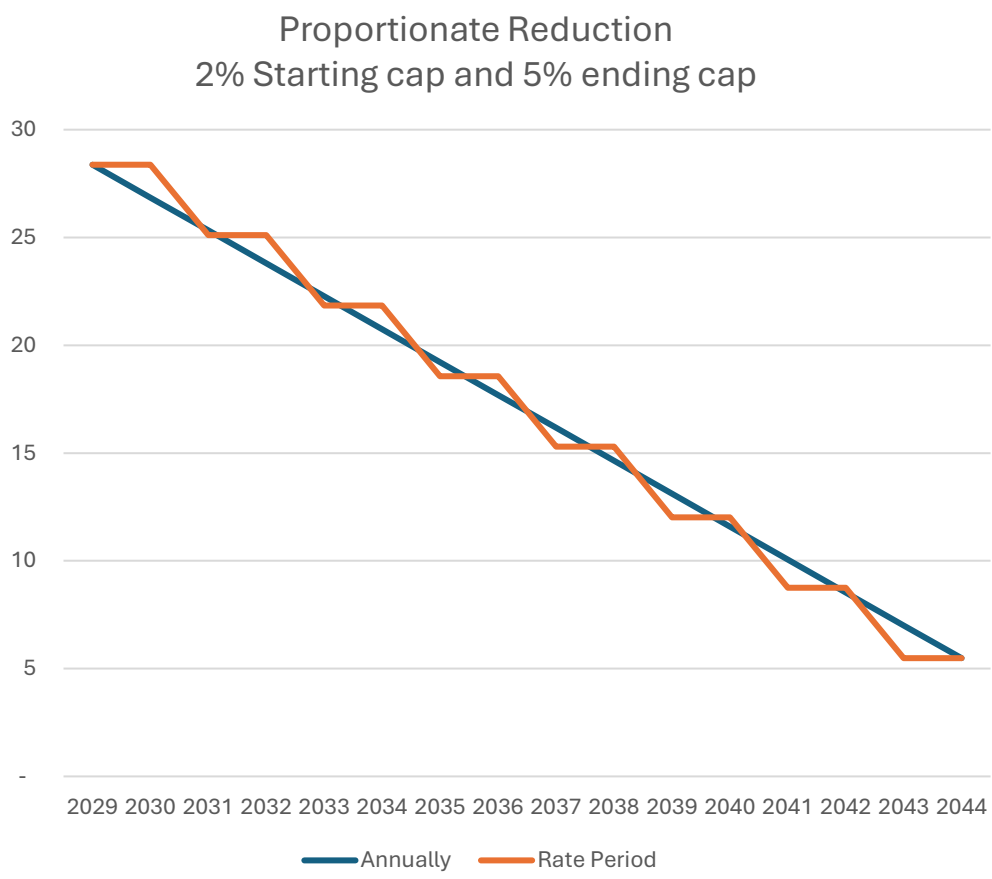
RICm Calibration

Background

- We are in agreement that the PRDM will include a rate mitigation feature (RICm) to mitigate TRM-to-PRDM rate increases.
- We are in agreement that the RICm should taper off over the POC contract term.
- We now need to align on the level and speed that the taper. Generally:
  - Planned product customers advocate for a faster taper over time.
  - Load following customers advocate for a slower taper over time, with one specific suggestion to solve for a 5% end-of-contract rate impact.

Getting to Goldilocks





Current Draft PRDM Language

- The $0.50 fixed taper calculations showed an unexpectedly high rate impacts by contract end.
- Staff advocated for a fixed taper rate that occurs each and every year, but at a lower $0.10/MWh rate.
  - Administrative simplicity
  - Fair outcomes
- Load Following customers expressed concern that an annual reduction with $0.10/MWh would also result in high rate impacts by contract end.

Using the Rate Discount Model for Calibration

- Start-of-contract program cost: $28.4 million

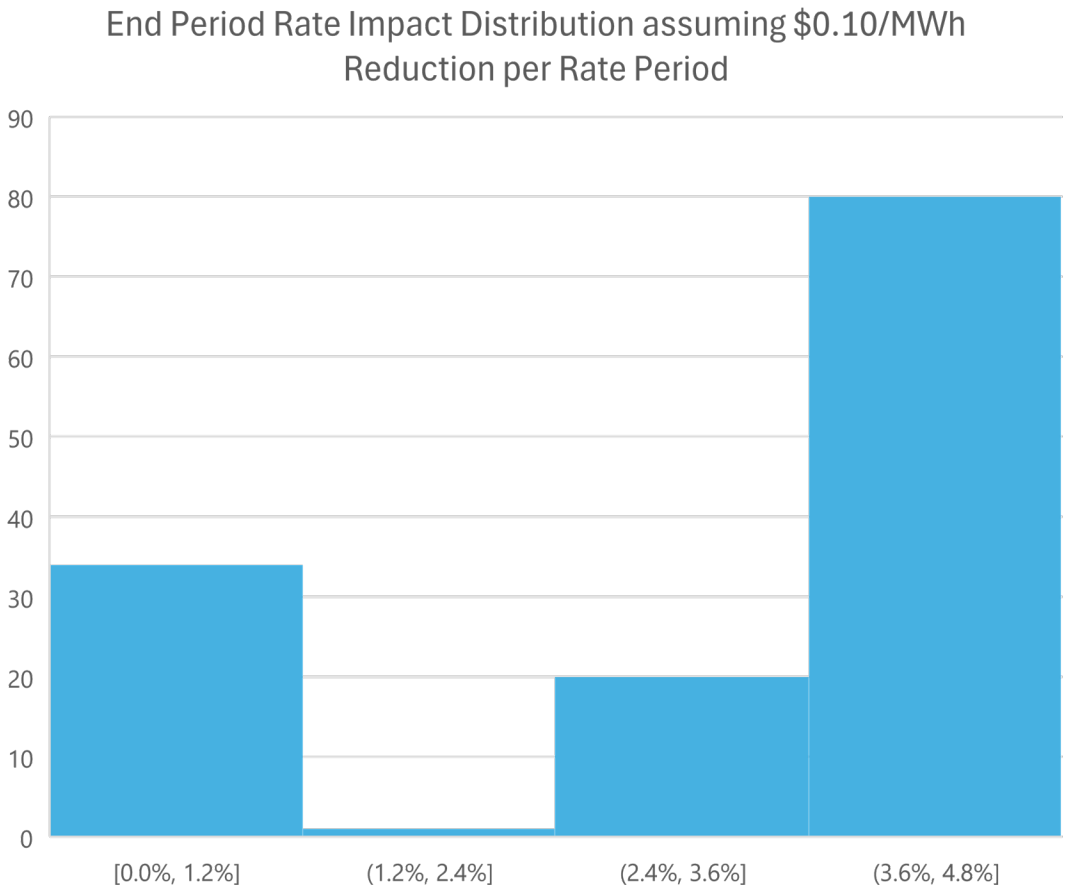
- The rate discount model was used to evaluate four scenarios:
  - $0.10/MWh every 2 years
  - **$0.10/MWh every year (Draft 1 PRDM position)**
  - $0.20/MWh every year
  - $0.50/MWh every 2 years

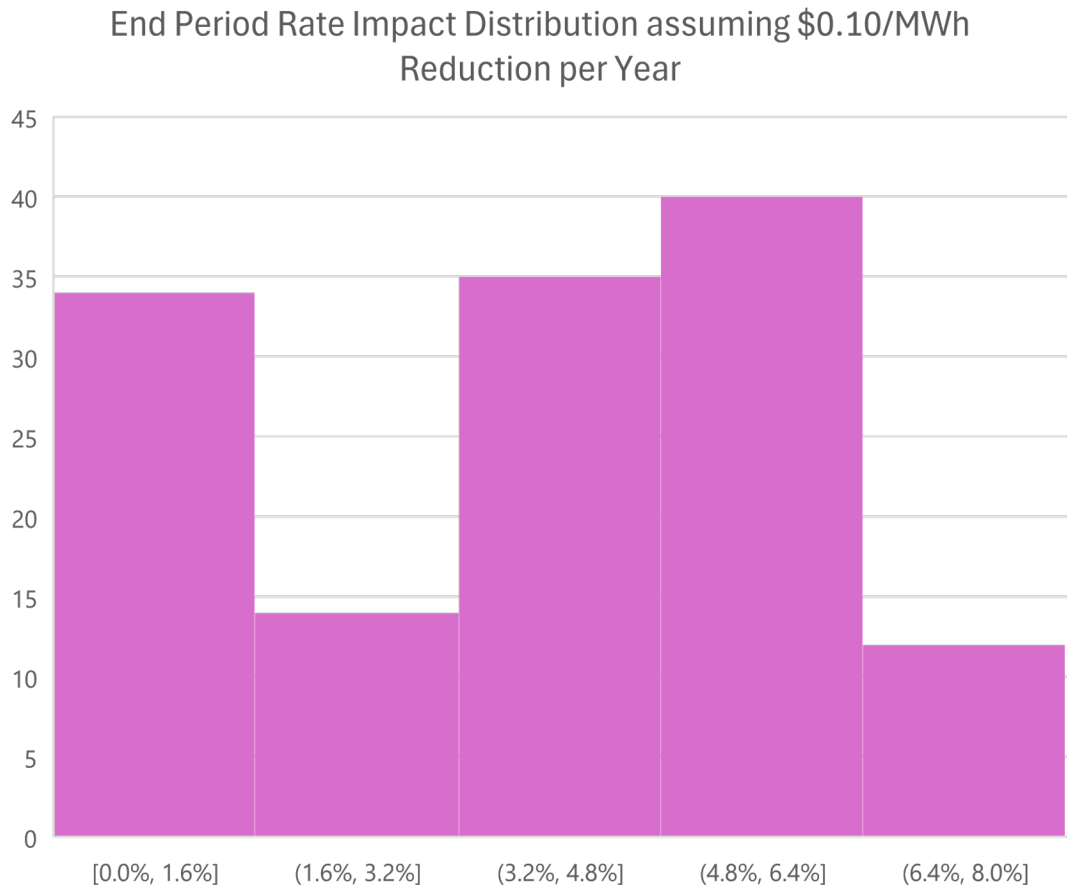
Key Stats	.10 every 2 years	.10 every year	.20 every year	.50 every 2 years
Largest Rate Impact by Contract End	4.3%	6.9%	10.4%	11.4%
End of Year Program Costs	10,926,818	1,898,124	87,776	41,624
Average Annual Program Costs	19,322,729	12,033,817	6,675,509	6,533,998

BPA Staff Observations

- The $0.5/MWh per rate period taper was too fast. It provided very little meaningful impact, other than being more abrupt, relative to $0.2/MWh.
- The $0.2/MWh per year taper was also still too fast as it left several customers with double digit rate increases and a negligible end-of-contract cost ($200k program cost).
- The $0.1/MWh per rate period decrease was too slow. The end-of-contract costs were too high and the end-of-contract rate impact below our 5% touchpoint.
- The $0.1/MWh per year was just right. It produced a smoother annual impact relative to the rate period options. It overshot the 5% touchpoint for a few customers, but produced a reasonable end-of-contract cost of less than $5 million.

Appendix – Distributional Analysis





Distributional Analysis (cont.)