



Open Season Questions and Answers

Posted: November 26, 2013

- 1. What Transmission and Ancillary Services would apply to the transmission awarded from the Open Season?*

The product offered in the open season is Long Term Firm Point-To-Point Transmission in accordance with Part II of the PGE OATT. At this time, the only Ancillary Service successful bidders would be required to purchase in connection with this service is Ancillary Service Schedule 1 – Scheduling, System Control and Dispatch Service. Additional information regarding Ancillary Services can be found in Schedules 1-6 of PGE’s OATT.
- 2. How often does PGE’s Long Term Firm PTP service on this path get curtailed?*

Often. The California Oregon Intertie is a congested path. Both BPA and the CAISO perform regular maintenance on the path, loop flow mitigation, and seasonal transfer capability studies that will result in curtailments.
- 3. Is curtailment information publicly available?*

Yes, on the PGE OASIS this information may be found in the Outages folder on the homepage and in the Reductions or Notices menu tabs within the Production version of OASIS.
- 4. Are there any near-term (2014-2018) outages on AC line that will either reduce capacity purchased under this bidding process or result in PGE increasing its LTF PTP rates?*

There is no near-term expectation of a prolonged outage on this path. No rate increase has been filed at FERC at this time.
- 5. Can you confirm whether or not the product will come with rollover rights?*

The product offered in the open season is Long Term Firm Point-to-Point Transmission in accordance with Part II of PGE’s OATT. Section 2.2 of PGE’s OATT addresses rollover rights. It provides that customers with service periods equal to or greater than five years will be eligible for rollover rights.
- 6. I understand Bid Forms are due by 11:59 pm on December 8th. When will PGE notify successful bidders?*

PGE plans to notify successful bidders no later than December 13th.
- 7. Can you confirm what conditions bidders are required to meet within five days vs. those that need to be met by December 27th?*

Within five (5) business days, a successful bidder must confirm their bid by 1) submitting a written application, transmission service request on OASIS, and deposit; 2) meeting the

creditworthiness criteria in Attachment L of the OATT; and 3) providing information in accordance with Attachment K.

A service agreement would need to be fully executed and returned to PGE by December 27, 2013.

8. *Will the deposit amount be based on the fully bid amount or the awarded capacity? If the deposit is made and there is some problem with getting final approval, is the deposit refundable?*
The deposit will be based on the awarded capacity. For instance, if a bidder requests 102MW, but is only awarded 20MW, the bidder will be required to pay a deposit for 20MWs. If for some reason, a service agreement cannot be executed and returned to PGE by December 27, 2013, the deposit will be returned to the bidder with interest.
9. *Why is PGE making this Intertie capacity available through a conditional open season process?*
PGE is making this capacity available through a conditional open season process for several reasons, including, but not limited to, the following:

(1) To ensure a level playing field.

This capacity is associated with a 1985 sale and leveraged lease financing transaction involving interests in (1) PGE's Boardman generating plant, and (2) certain portions of the California-Oregon Intertie. This transaction is described in detail in an application under Section 203 of the Federal Power Act currently pending before the Federal Energy Regulatory Commission (FERC) in Docket No. EC14-13-000. That 1985 transaction is now terminating, and the current owner of the Intertie interests has engaged in commercial negotiations regarding the sale of the Intertie interests with several parties who may also be potential transmission customers interested in reserving the capacity in the event that PGE acquires the Intertie interests. Because of the extensive participation by potential customers in non-public commercial negotiations, PGE is concerned that there is not a level playing field among the pool of potential transmission customers regarding the pending availability of this capacity.

(2) To avoid potential misuse of the standard first-come, first-served reservation priority.

Without the open season in place, PGE would award this capacity on a first-come, first-served basis (i.e., to the first customer in the queue, if that customer requested the entire available capacity). However, the OATT's provisions in this regard are difficult to administer in a fair manner in circumstances where parties are seeking access to "existing capacity" (as opposed to seeking a study of construction of new capacity) and the capacity does not already exist or cannot be posted because it has not yet been acquired. In such cases the transmission provider has no way to ensure all parties have equal information regarding availability and timing of availability of the capacity that will become "existing capacity". Under the conditional open season, there is a window of time during which all requests submitted within the window are considered received simultaneously. The conditional open season avoids potential abuse of the first-come, first-served priority, as explained below.

While some potential customers know that this capacity may soon be available, they do not know when it will become available (and neither does PGE). Based on PGE's experience, without the open season, potential customers would submit requests for additional capacity on the Intertie hoping they would be first-in-time when PGE posts the ATC. PGE would treat those requests as requests to study the addition of capacity to the Intertie – as opposed to requests

for the capacity PGE is in the process of potentially acquiring – because PGE does not have ATC on the path at this time. The requests would eventually be deemed withdrawn when the customer refused to pay for studies because the customer does not actually want PGE to study the addition of capacity; the customer just wants to already be in the queue when the ATC becomes available (i.e., when (1) the transaction has closed, and (2) PGE has received final 203 authorization from FERC). Once a request is deemed withdrawn, the customer could submit a new request for the same capacity and the process would start over. In other words, customers would be submitting requests for a product that they know is not yet available in the hope that it would become available while their request was still active.

Ultimately, without the open season, the capacity would be awarded to the party whose request was first-in-time at the time the capacity becomes available. That timing would be by chance, however, and not by any true first-come, first-served priority, because there would be a rotating set of requests, any of which could be “first-come” based entirely on the timing of the close of the transaction and final 203 authorization. PGE believes this could be seen as a corruption of the transmission reservation process subject to claims of manipulation, and PGE does not want to award this capacity in a manner that would invite potential controversy and litigious activity.

The open season avoids any opportunity for misuse of the first-come, first-served priority by deeming requests received in the open season window to have been submitted simultaneously, and by making clear that the requests – while submitted before PGE has ATC to post – are for the specific capacity PGE is in the process of acquiring.

10. *When will the Capacity be available for scheduling?*

One of the benefits of the open season is that we believe it ensures the capacity is available for scheduling as soon as possible.

PGE cannot post Available Transfer Capability (ATC) for this capacity until it has ownership of the Intertie interests. PGE will own the Intertie interests when (1) the commercial transaction has closed, and (2) FERC has authorized the transaction by approving the 203 application in Docket No. EC14-13-000. PGE cannot predict when the commercial negotiations will be completed, although parties are targeting the end of 2013. The 203 application was filed on October 24, 2013. PGE anticipates that the earliest that both of these necessary prerequisites will be completed is late December 2013. Even if PGE posted ATC associated with this capacity immediately following the completion of these items, it could take several weeks from that point to complete the procedures for arranging Firm Point-To-Point Transmission Service set forth in Section 17 of PGE’s Open Access Transmission Tariff (OATT).

The conditional open season allows PGE to conditionally award the capacity on a transparent, non-discriminatory basis, and work with the successful open season bidders to complete the procedures necessary to start scheduling service prior to PGE actually owning the Intertie capacity. This increases the likelihood that the capacity will be available for scheduling as soon as possible following PGE’s assumption of the Intertie ownership interests.

11. *How long has the transmission rate been ~\$0.52/kW-mo? When was it last adjusted?*
Transmission rates have gone unchanged since 2001. The last filing with FERC was made on November 30, 2001. At the time, Long Term Firm Point-to-Point Transmission (Schedule 7) decreased 35% from \$808 MW/mo to \$523.
12. *Is there an active or planned transmission rate case proceeding that could alter these rates? Do you expect the rates to change based on the purchase of this additional capacity?*
PGE reserves the right to file a rate case at any time. PGE does not have a rate case filed with FERC at this time.
13. *In reviewing the last sentence of Section 3.2.6 of the Business Practice and Section 3.3.6 (b) and (c), a successful bidder's award can be revoked and given to a randomly chosen non-successful first priority bidder if the successful bidder fails to meet the conditions stated in Section 4 or fails to execute the Service Agreement by December 27th. Other than the loss of their potential transmission rights and potential forfeiture of the one-month deposit, are there any other penalties for a bidder who fails to follow through with the execution of the Service Agreement? If a successful bidder does not meet the requirements of Section 4, then their open season bid will be considered withdrawn and their application terminated (3.3.6). Any deposit paid will be refunded with interest.*
14. *Can you confirm the losses rate associated with this transmission contract is currently 2.0%?*
Yes, the current loss rate on PGE's share of the California-Oregon Intertie is 2.0%
15. *Schedule 7 of the OATT sets the long term transmission rate at \$.523/kW-mo of Reserved Capacity. It then goes on to discuss potential discounts (Section 5) and taxes (Section 7), which may impact the actual rate paid. Can you confirm, at this time, whether any discounts or taxes are applicable to the base \$0.523/kW-mo charge?*
PGE has historically not discounted any of its transmission service and does not intend to do so in the foreseeable future. There are currently no taxes applicable to transmission customers for transmission services under the PGE OATT.
16. *Will PGE publish a list of bidders and if so, when? When will the list of entities awarded be publicly available?*
PGE plans to notify successful bidders by December 13th. Once we receive executed service agreements, we will post a list of successful bidders on OASIS.
17. *I understand the last transmission rate change was in 2001. Can you tell us when the last time the rate was changed prior to 2001? And what the previous rate was?*
In 1996, FERC order 888 required utilities to file an open access transmission rate (OATT rate). Before that, transmission rates were based on contracts signed between the utility and other wholesale power producers who were using the transmission system. In 1998 PGE filed an OATT rate that included PGE's 115 kV facilities, so that would be the previous OATT rate. The 1998 OATT rate was \$9.70 per kW year.
When retail direct access legislation directed utilities in Oregon to unbundle their rates, PGE reclassified the 115 kV transmission facilities as distribution, and then filed a transmission rate decrease in 2001 to get to the current rate.

18. *Can you explain why this capacity is one-directional (N-S) while the majority of the capacity on the AC Intertie is bi-directional?*

PGE currently has abundant available Intertie capacity in the South to North direction. The capacity can be requested through OASIS.

19. *Can John Day to COB capacity acquired through Conditional Open Season process be redirected to any PGE owned paths?*

The product offered in the open season is Long Term Firm Point-To-Point Transmission in accordance with Part II of the PGE OATT. Changes in Service Specifications are covered in Section 22 of the OATT.

20. *Are historical PGE owned John Day to COB path utilization rates publicly available? Are other PGE owned paths utilization rates available to public?*

Certain ATC data for the path can be found in the System Data posted on PGE's OASIS.

| Revision No | Revision Date | Description |
|-------------|---------------|-----------------------|
| 0 | 11/26/2013 | Original document |
| 1 | 11/27/2013 | Added questions 9, 10 |
| 2 | 12/03/2013 | Added questions 11-15 |
| 3 | 12/06/2013 | Added questions 16-20 |

This Q&A document will be updated periodically. Please check back for additional questions.