

Horizon Wind Energy LLC Comments on “Connecting Variable Generating Resources to the Federal Columbia River Transmission System (FCRTS),” and proposed LGIA Appendix C Additions and Revisions Posted January 30, 2009

Horizon Wind Energy LLC (Horizon) would like to thank Bonneville Power Administration’s (BPA’s) Wind Integration Team staff for their work in addressing our concerns related to the implementation and technical aspects of proposed Dispatch Standing Order (DSO) 216. The Wind Integration Event Frequency Study tables in particular are very helpful in communicating the impact of arming the DSO on our projects. However, we continue to have concerns over dispute resolution venues and potential liability issues. We believe that the best way to move forward on remaining matters related to DSO 216 is through the Joint Operating Committee or in meetings directly between BPA and individual Operators. We anticipate continued collaboration on the DSO over the next year.

We also believe that BPA’s January 30, 2009 draft revisions to the proposed Appendix C continues overreach on what is appropriate for inclusion in the LGIA. As we stated in our previous comments, it is sufficient to state in Appendix C that Interconnection Customers affected by the situation address in DSO 216 must comply with DSO 216. (The Interconnection Customers subject to DSO 216 remains under discussion in the Joint Operating Committee.) Repeating the language of DSO 216 in the LGIA is superfluous; it also necessitates modification of the LGIA anytime DSO 216 is modified. We do not believe that it is appropriate to re-open an executed contract in this case because the DSO process sufficiently enables BPA and Interconnection Customers to negotiate appropriate protocols for maintaining the system’s reliability.

Furthermore, revisions to Appendix C pursuant to Article 9.4 should be limited to address reliability issues. Article 9.4 of the LGIA states that an Interconnection Customer shall “operate, maintain and control” its generating facility and its interconnection facilities “in a safe and reliable manner” and “in accordance with all applicable requirements of the Control Area of which it is part, as such requirements are set forth in Appendix C,” and BPA has the right to determine the “applicable reliability criteria” in Appendix C without an Interconnection Customer’s consent. *United States Department of Energy-Bonneville Power Administration*, 112 FERC ¶ 61,195 at P 20 (2005). However, BPA is limited to adopting Control Area requirements that are necessary for the reliability of its Transmission System, or to assure that an Interconnection Customer will “operate, maintain and control” its Generating Facility “in a safe and reliable manner.”

Section 3

Section 3(b)(i) of Appendix C, if adopted, would permit BPA to order an Interconnection Customer to reduce the output of its Generating Facility to avoid a violation of the Clean Water Act (“CWA”) or the Endangered Species Act (“ESA”). BPA should avoid violating all Federal statutes and regulations, including environmental requirements. Regardless of merit, though, actions taken to comply with the CWA or the ESA are not necessary for the reliability of BPA’s Transmission System.

Horizon recognizes that some BPA-interconnected wind power projects may be positioned to provide BPA assistance in avoiding violations of the CWA and ESA by providing BPA with needed decremental reserve capacity from the wind fleet. Horizon is willing to discuss with BPA how we can work together with BPA to increase BPA's decremental reserve capacity. However, we disagree that this is a reliability issue and object to having potential CWA and ESA violations included as reliability events in our LGIAs.

Paragraph Following the List of Required Control Area Services

The proposed Appendix C language would also prohibit an Interconnection Customer from seeking to self-supply or having a third-party supply the required Control Area Services without BPA's consent. It would further require that an Interconnection Customer which receives such consent pay BPA's stranded costs, at whatever cost BPA determines.

We believe that it is inappropriate for BPA to have unbounded authority to determine whether to permit an Interconnection Customer to find another supplier of Control Area Services. BPA should not unreasonably withhold its consent when an Interconnection Customer proposes alternative services that are comparable and consistent with BPA's tariff and business practices.

This paragraph also addresses recovery of stranded costs, which may be appropriate to enable BPA to recover its costs and equitably allocate its costs among customers, but it is not related to Control Area reliability requirements and should not be a part of Appendix C. Rather, BPA should cost recovery mechanisms as a new section in the LGIA, or as a rate matter, or both. We are willing to work with BPA to further explore this issue.

To the extent that BPA seeks to create a take-or-pay obligation for listed Control Area Services in the LGIA, such requirement more appropriately belongs in the text of the LGIA. Section 9 of the OATT describes the process for changing the terms and conditions for tariff service. Pending completion of that process, we could consider including in new LGIAs a provision stating that an Interconnection Customer will accept a change to its executed LGIA that provides a take-or-pay obligation for Control Area Services upon FERC determinations required by Section 9 of the OATT. However, we do not believe that these requirements should apply for existing LGIAs.

Horizon believes that the best way to address all of these issues is to build and maintain an interconnected west-wide transmission grid. Horizon has actively supported – and continues to support – BPA's efforts to construct additional transmission capacity. We look forward to working with BPA further on future transmission expansion plans.

Attached hereto is our suggested mark-up of the LGIA language.

**APPENDIX C (from LGIA)
INTERCONNECTION DETAILS**

**3. CONTROL AREA OBLIGATIONS FOR THE INTERCONNECTION
CUSTOMER**

- (a) As specified in Article 9.4, the Interconnection Customer is responsible for compliance with Control Area requirements. This includes the WECC Reliability Criteria referenced in Article 4.3.1.1. The Joint Operating Committee described in Article 29 will address past performance issues and future compliance requirements.
- (b) Supplemental information to comply with the Control Area requirements is detailed in this Appendix C below:

~~(i) Transmission Provider's Control Area requirements include compliance with operating instructions issued in accordance with Transmission Provider's dispatch standing order under which Transmission Provider has the right to order Interconnection Customer to reduce the output of the Generating Facility in any hour to the MW amount listed in the generation schedule for the hour (or to an amount higher than that listed in the generation schedule for the hour) if Transmission Provider determines that such reduction is necessary to preserve the reliability of the Transmission System or to avoid a violation of the Clean Water Act or the Endangered Species Act.~~

~~(i) Transmission Provider's Control Area requirements include compliance with all emergency operating instructions issued by Transmission Provider, including Dispatch Standing Order 216.~~

~~(ii) If Interconnection Customer does not reduce the output of the Generating Facility in the amount ordered within 10 minutes of receiving the order, Transmission Provider has the right to disconnect the Generating Facility by opening the circuit breaker or breakers that connect the Generating Facility to the Transmission System.~~

~~(iii) If, on three or more occasions during any two-year period, Interconnection Customer fails to reduce the output of the Generating Facility in the amount ordered within 10 minutes of receiving the order~~

~~(A) Within six months of the date of Interconnection Customer's third failure to fully comply with an order, Interconnection Customer shall install equipment at the Generating Facility that enables Transmission Provider to send an electronic signal to the Generating Facility to automatically reduce the output of the Generating Facility; and~~

~~(B) Until Interconnection Customer has installed such equipment, the Parties shall continue to operate under sections (b)(i) and (ii), except that Interconnection Customer must reduce the output of the Generating Facility within nine minutes of receiving the order to reduce output. After such equipment is installed, Transmission Provider has the right to send an electronic signal to the Generating Facility to automatically reduce the output of the Generating Facility to the amount and under the criteria stated in section (b)(i) above and in the appropriate Dispatch Standing Order. If Interconnection Customer fails to install such equipment within six months of the date of Interconnection Customer's third failure to fully comply with an order, Transmission Provider has the right to keep the Generating Facility offline and not operating until such equipment is installed and operational.~~

~~(iv) Transmission Provider's right to send an electronic signal to the Generating Facility shall cease, and the parties shall resume operating under sections b(i) and (ii), if Interconnection Customer demonstrates to the sole satisfaction of Transmission Provider that Interconnection Customer has modified the operation of the Generating Facility such that Interconnection Customer is able to and will fully respond to all orders to reduce output within 10 minutes of receiving the order. The resumption of operations under sections b(i) and (ii) shall occur no less than two years from the date on which Interconnection Customer completed installation of the equipment that enables Transmission Provider to send an electronic signal to the Generating Facility, and shall be on terms deemed appropriate by Transmission Provider, including the terms under which Transmission Provider again assumes the right to send an electronic signal to the Generating Facility.~~

C. The following language will go in Appendix C of the LGIA following the list of required Control Area services.

Upon ~~one year's 90 days'~~ written notice to Transmission Provider, Interconnection Customer may self supply, or acquire from a third party, any of the Control Area Services that Transmission Provider is providing under this LGIA ~~at the time of the notice~~, if such Control Area Service is (1) comparable, ~~in Transmission Provider's sole determination,~~ to the Control Area Service Transmission Provider is providing, and (2) consistent with the Tariff and Transmission Provider's associated business practices. ~~Transmission Provider's consent shall not be unreasonably withheld.~~ Interconnection Customer's obligation to take and pay for any Control Area Service will terminate ~~as soon as Interconnection Customer self supplies such Control Area Service or acquires it from a third party~~ and compensates Transmission Provider for (i) any costs to modify the Transmission System that Transmission Provider incurs because of such self-supply or third-party supply, and (ii) any costs Transmission Provider has incurred to acquire energy or capacity to supply such Control Area Service to Interconnection

Customer and that Transmission Provider has not yet recovered from Interconnection Customer, unless Transmission Provider determines that it has an alternative market for such energy or capacity.

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