BPA 2001 WIND RFP Bidder's Conference

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Bonneville Power Administration

Conducted by: GEORGE D. DARR, P.E.

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GEORGE DARR: Thank you all for coming this morning. Am I so loud that I'm blowing people away as well? My name is George Darr. I'm the manager of the Renewable Resource Program at Bonneville. In case there are any doubts, this meeting is the bidder's conference for the Wind Request for Proposals that we had just issued.

Just a couple of housekeeping items. The restrooms here are located just outside. You can basically make a left at the security desk, go through the tunnel between the elevators. Ladies room is on the right. Men's room is on the left. We plan to take a break at about 10:30, if that seems like a good place to stop. There is a cafeteria here. You just go out past the guard's desk and head out that direction, and you'll see it on the left. I would like to introduce a few people before we get into this -- the members of the project team. First, I would like to introduce Sheila Riewer who organized this meeting and will be your main point of contact as this RFP proceeds. So, I would suggest you be very nice to her.

SHEILA RIEWER: My name is not on the card, but my phone number and E-mail address is.

GEORGE DARR: John Pease is an engineer who is working in our group -- electrical engineer -- and will be one of the project managers. Ron Holeman in the back is also a project manager. He will be working on the wind projects. Tom Osborn could not be with us today, and he is the other person on the project team.

My plan for the day was just to basically go page by page through the request for proposals and give people an opportunity to ask questions. We have a stenographer here who will record the questions and the answers, and we intend to post the Q and A's on the web page and any subsequent questions that come to us by E-mail, we'll just basically add to the Q and A document. So, we will just have kind of a building document during the process. Does anybody have any questions or comments? I do much appreciate your patience in getting in here. We actually did take measures to try to anticipate the people being here, but sometimes things just don't work out. Okay.

Let's charge into this thing. As you know, Bonneville has issued a request for proposals for wind projects. We're interested in proposals from experienced wind developers, and we're willing to consider long-term contracts. The projects need to be located in or near the Bonneville service territory and must be connected in some way to a Bonneville transmission line. Now, that can be via somebody else's transmission line or directly, but it is the developer's responsibility to get the power to the line -- to the Bonneville line. That's basically Section 1.

Section 1.1: We're looking for commercial-scale wind energy facilities. This is not an R&D effort. We expect these facilities to be competitive on a lifecycle-cost basis with other resources we're considering.

Just by way of background, as many of you know, Bonneville is in the process of acquiring approximately 3,000 average megawatts of resources to meet loads in our five-year rate period that begins on October 1st of this year. The reason we're issuing this RFP is because we want renewables to meet part of that need, if possible. Wind appeared to have a great potential for doing that partly because, in our experience, large scale wind facilities can be cost-competitive even after adding the cost of the services needed to make an apples-to-apples comparison with gas-powered resources. Those are the resources that are coming in -- largely what we're buying -- to satisfy the 3,000 average megawatts.

We also, because we need this power on line as soon as possible. We want these projects to be on line as quickly as possible, and it's been our experience that wind facilities can be brought on line very quickly, in large increments, and they are relatively easy to expand. Plus our recent experience has been that the permitting process for wind facilities can be relatively painless compared to some other resources. There seems to be a high degree of public acceptance for wind projects. So, that's basically why we're doing wind and not biomass or small hydro or geothermal or solar.

Does that make sense? I suspect I'm preaching to the choir here, but I thought I would start off that way anyway. There are several considerations that will effect how much we ultimately buy. The press releases have all said 1,000 megawatts of wind power. I will tell you where the 1,000 megawatts came from. The 1,000 megawatts came from my estimate of how many megawatts of wind could come in and meet the requirements of this RFP just based on inquiries I have had during the last year or so. But how much we ultimately purchase will depend on several things. I just want people to be very clear about these things up front so you know what you are getting into. The first one is the cost element. That's, of course, the obvious one.

Basically, these projects have to be competitive, with the gas-fired resources that we're buying right now on a lifecycle cost basis. The cost of the wind is going to include the cost of our estimate of what the cost of firming and shaping the resource so that there is an apples-to-apples comparison between the wind project and the product delivered from the gas-fired resource.

For those of you who have read the RFP, you know that we've asked that the cost proposals include the impact -- or the cost with the production tax credit or renewable energy production incentive. Or basically, any other subsidy that the cost of energy depends on, and the cost of energy without that subsidy, just in case it's not available. I suspect we're all optimistic that the PTC will be renewed. But if it were not, I would like to know how that would affect the price. Our initial purchase from a single project has to be limited to less than 50 average megawatts.

The reason for that is because Section 6(c) of the Northwest Power Act says that before Bonneville can acquire a resource larger than 50 average megawatts for a period longer than five years, we have to go through a consultation. It's a big -- it's a fairly involved public process with the Northwest Power Planning Council. We've only been through that process once before. It took approximately a year. It was very labor-intensive. We're not opposed to doing that when there is time. And I guess, we would like to anticipate doing that for projects in the future, particularly, for wind projects that come in under this RFP that have expansion potential. But initially, we want to limit ourselves to 50 average megawatts so we can get the projects on line as quickly as possible. Larry?

Q.1. Just a clarification on the gas projects. Are they all under 50 average megawatts with a life less than five years?

GEORGE DARR: Yes, I believe they are. Yes?

Q.2. The PPA then will be for -- the initial PPA will be for five years, correct?

GEORGE DARR: No.

Q. I'm sorry. Would you repeat that question, please?

GEORGE DARR: The initial PPA will be for five years. I'll try to repeat the questions for people, if that will help. The question was, “will the initial PPA -- the wind PPA -- be for only five years?” No. The initial wind PPA -- will be long-term power purchase agreements. We know what it takes to finance a wind project. So we're expecting contract terms of 20 to 25 years. Rob?

Q.3. Any information you could give us as far as your gas . . .

THE REPORTER: For the gas what?

Q.3. -- Price assumptions for the natural gas, in your assumptions of the alternatives?

GEORGE DARR: The question is “what can we discuss our gas price assumptions regarding, you know, as the alternative.” Basically -- I assume what you are asking is basically, whether the -- what are the price boundaries for the comparable gas-fired resources that we're looking at?

Q. {Clarification} Right.

GEORGE DARR: My understanding is that we are looking at -- we're paying 50 to $60 a megawatt hour for gas-fired resources. But just to make sure there are no misconceptions here, to get a wind facility, the intermittent wind facility, output of a wind facility to produce the firmed and shaped power that we would expect from a gas-fired facility, based on the one estimate that we've done in this regard, you are probably talking about $25 or $26 of additional cost. So, the bottom line, basically, you have to subtract that, the $25 to $26 from $50 to $60, to figure out what we're willing to pay. Okay?

Q. {Comment} Now we can all go home.

GEORGE DARR: Yes, sir?

Q.4. The $50 to $60 per megawatt is a little hard to believe if, what I am reading in the newspaper -- Bonneville was talking about this three or 400 percent rate increase. Come on now. What's going on here?

GEORGE DARR: I’m not prepared to debate that. All I know is the guideline that I have and the budget I'm working with is the budget of the people who are acquiring the 3,000 average megawatts. Basically, they are the ones who are setting the rules for me, and those are the rules.

Q.5. They’re using $50 to $60?

GEORGE DARR: Yeah.

Q. {Comment} I'm not buying that.

GEORGE DARR: That’s what I understand to be the long-term forecast for these resources. I mean, to date, you pay $600 a megawatt hour, but on a long-term basis, yeah. Okay. Yeah, Don?

Q.6. You were talking about in Section 4 on cost -- cost of transmission and other services. Is that going to be determined on a project-by-project basis, or is this a flat fee sort of number that you'll use like the illustration you just made?

GEORGE DARR: The question is, “will the costs of services, I take it, the $24 to $26 estimate be on a project-by-project basis, or will we just have a standard number?” And the answer is if we have sufficient data from the individual facility to do an estimate for the individual facility, we'll do that. Otherwise, we will use some data we have in-house to make our own determination. I don't expect it will make -- well, it may make some difference. What it will make -- I'm not going to comment on it. Let's just see where it goes.

Q.7. I have just one more question, How are you going to compare a five-year gas contract to a 5 to 25-year wind project? It seems to be a few extra years of wind project.

GEORGE DARR: That is true. I'm -- I guess, I'm working with some price guidelines that are a new target that are in the range that I've given you that don't have a lot of detail attached to them. And the only -- I guess, the only reason I even answered the question was to try to give people a ballpark to aim at. So, I guess I'm not really prepared to say, "Well, you know, 50 to 60 mills for something delivered at this point, for this year, this term of contract." I don't have that -- I can't supply that level of detail.

Q.8. Is that a fixed fuel price with those contracts?

GEORGE DARR: Again, let's just leave it where it is.

Q.9. George, maybe you can provide some follow-up information on the web page?

GEORGE DARR: I guess -- Rob asked if we would be willing to provide some follow-up information on that. And no, actually, we won't – that’s the short answer. Another way to approach this would be just to suggest that you provide your best price and just leave it at that. Sir?

Q.10. George, I have a question on the calculation of average megawatts.

GEORGE DARR: Yes?

Q.11. Is that something that the Northwest Power Planning Council has a formula for definition of exactly that's maybe, you know, different from the direct perception of that may be?

GEORGE DARR: The question is in relation to how is an average megawatt calculated. If you look in Section 2.5, it tells you how to compute an average megawatt. Did you have a question?

Q.12. I just wanted to clarify the question on the CT power purchases. All of those purchases are less than five years. Some of them could be larger than the 50-average-megawatt. But it's a --

GEORGE DARR: You have to meet both of those requirements, that's right. Okay.

Q.13. George, on the 50 average megawatts, is it from a vendor or from a site? I mean, is it possible that something can be in reasonably close proximity people who had contracts --

THE REPORTER: I can't hear you.

GEORGE DARR: The question is -- I'll try to repeat it. “Is the 50 average megawatts, is that from a single vendor, or is it from a single site.” Answer: And it is from a single site. But whether we have a cluster of projects at a site, how that figures in, is untrodden territory. But I think it will turn out to be from a single vendor at a single site. So, we could have -- we could do multiple projects with a vendor that totaled more than 50 average megawatts as long as they were spread over several sites. Does that answer the question?

Q. {Comment} Yes.

GEORGE DARR: I didn't mention the minimum that we're looking for. We're looking for large projects, basically. We are looking for a minimum of 15 average megawatts. If you figure a typical kind of wind capacity factor of 30, 35 percent, it probably amounts to a 40 to 60-megawatt project. I will explain the reason for that. What we are trying to do is get a lot of megawatts on line with a tiny staff. Until about a year ago, there was just -- well, I'll just say -- we have very limited personnel resources to devote to this. We're trying to do it very quickly. And we found that it takes as much effort to do the permitting process and to negotiate a contract for a small project as for a large project. So, to make the best use of our own resources and get the most output on line for the region as quickly as possible, we want large projects. Larry?

Q.14. Do you think that that discriminates in any fashion against smaller developers?

GEORGE DARR: It may, but it's based on what we can do. That's why we had to set something like that. Otherwise, I think we would be inundated with very small projects, and we're not prepared to handle them. It's not to say that somewhere down the line, we couldn't have an RFP for smaller projects. I won't make a promise that we would do that. But right now, the objective is to get large, commercial-scale project on line as quickly as possible with the people we have to deal with it. So, cost, which I have not satisfactorily answered for you, is one of the considerations for how much we will purchase. Another consideration is the power system impact study that we will be doing concurrently with these acquisitions. This will be a good time for me maybe to make quick segue into the environmental review process so you can kind of see how everything fits together.

As I hope all of you know, before a federal agency can make a major commitment of resources, we have to examine the environment impacts of our decision before we make it. So, that means that we typically perform either an environmental assessment, or environmental impact statement, or a study that results in one of those types of documents. We'll talk about that a little bit more, later. But the upshot is, I expect on most, if not all of these wind projects, we will be doing environmental impact statements. They typically take 12 to 24 months. We're hoping we can get these done more in the order of like 9 to 12 months. But there are certain built-in time scales that you really can't deviate from. They are in the law or in the guidelines for implementing law. The upshot is that Bonneville will not be able to make a firm commitment, or make any commitment, actually to signing a power purchase agreement for these projects until the environmental impacts have been examined. So, it could be a year from now.

So, while we are doing those studies, we will concurrently do a Power System Impact Study. I'll try to get to those questions in a second. We will begin a Power System Impact Study to assess the impacts of putting large amounts of wind power on our system.

The statement of work for the Power System Impact Study is in the back of the room and available for people to pick up or -- Sheila, is it on the web site? If it's not, it will be shortly.

SHEILA RIEWER: Which one is that?

GEORGE DARR: Power System Impact Study.

SHEILA RIEWER: No, I hadn't sent it over.

GEORGE DARR: It will be on the web site shortly. But let's get back -- it sounds like there were some NEPA questions, some EIS questions.

Q.15. Can individual companies do their own EIR, EIS on behalf of BPA?

GEORGE DARR: The question was, can an individual company do an EIS or EIR -- which is, I'm assuming, the State process -- on behalf of the BPA, and the answer is no. It's something that we have to do. It's in our sole discretion to decide what level of environmental review is required. We would expect the developer to cooperate with us during that period. Of course, the developer will, no doubt, want to be concurrently doing a state permitting process, and we would definitely try to tailor our documents and our process so that everything fits together and there is minimal duplication and expenditure of money. Does that make sense? Yes, sir?

Q.16. Of any of the wind projects you have done so far, how long has that process taken? Have you completed any?

GEORGE DARR: We have not completed one, actually.

Q.17. How long has the process been so far?

GEORGE DARR: We were -- we started a process for the State Line Wind Project that was not finished, but I believe we were on track to do between a 9 and 12-month process. So, it can be done. A lot of it depends on what controversy arises during the course of the project. Yes?

Q. {Comment} I have a question about the System Impact study.

GEORGE DARR: Okay.

Q.18. You had mentioned something about the cost of shaping or firming the $25. Would there be some type of price transparency through this impact study so, you know, we could see like a little breakdown of what the costs -- respective costs might be?

GEORGE DARR: The question is, “will there be transparency regarding the System Impact Study?” And I think what you are probably trying to get at -- correct me if I am wrong -- you want a chance to know what the assumptions were and just how it was all done. I think we will have to get back to you on that. The reason being it's unclear to me to what extent that we want to discuss this methodology just right now. I mean, this is something we've just -- we have done once recently. I'm just not sure we're ready for it to be a transparent process yet. So, let's mark that down as something we'll have to get back to you on. Yes, sir?

Q.19. Back to the general question. I think it was about a year ago that BPA came out and said you have a target for having wind -- 5 percent target. How does this fit into that because you are also saying you reserve the right to buy wind?

GEORGE DARR: Well, see, there were two different -- a year ago, there was a whole different thing going on. A year ago, we were marketing -- well, we still are. We were buying wind to market as green power. And wind was a resource that was above market, and we were looking at subsidizing. We had a budget set aside to subsidize renewable resources. We felt that within that ceiling of that subsidy, we could do a certain amount of wind power and some other resources depending on how much new power we sold. Well, kind of the world has been turned on its head in the last year. So, this acquisition is basically on a separate track. This is intended to be a market-based acquisition intended to be part of the augmentation power purchase.

What will happen to our original goal of 50 average megawatts of new renewables by 2006, it's unclear to me just where we're going to go with that. We may have a whole lot more than that by 2006. Right now, we're just focusing on getting resources on line as quickly as possible to deal with the energy emergency basically.

I know this may not be a satisfactory answer right now. Basically, one program has been -- it's kind of put aside, actually put on a different track, and this program is another big program that's been started as well.

Q.20. Sure. But you are not -- BPA isn't ready to say we are at least going to buy this much to meet our initial program to make us green conscious, clean power, et cetera?

GEORGE DARR: I'm not aware of any senior management having made a statement like that.

Q.21. {Comment} Okay.

GEORGE DARR: Finally, there is yet another condition on how much we ultimately purchase, which is a risk analysis. At the moment, we intend to do this study internally, but the analysis will be along the lines of what happens if you have a bad wind year and bad water year at the same time? What kind of market exposure would that create if we had to purchase, you know, backup resources, on the market? So, basically, we've got a number of things that will happen at the same time before we will decide how much we ultimately purchase. Yes, sir?

Q.22. Do you do the same thing with natural gas as in proposed gas prices go through -- stay through the ceiling for the next five years or something like that?

GEORGE DARR: I know we do a risk analysis on that, but I don't know -- I don't know if it's a parallel type of risk analysis or not.

Q.23. You couched originally in the discussion the comment about comparing apples and apples. I'm just curious.

GEORGE DARR: Okay. I'm sorry. I don't know the answer to that. I don't know how they do stuff in the gas world in Bonneville. Don?

Q.24. Will the risk analysis be done on a project-by-project basis, or will it be done assuming some sort of mix of wind generation and then the answer establishes the cap that you might purchase?

GEORGE DARR: We haven't written the boundaries on this yet. What I suspect what would be appropriate would be to look at a reasonable mix of resource in different parts of our region -- wind resources and see how that might interact. If we have a bad water year, maybe there are wind resources in other parts of the region that might actually mitigate that instead of add to the problem. But we have not -- we're just -- this is the least far along of all of these pieces. Sir?

Q.25 Is there some body of knowledge that suggests that a bad water year and a bad wind year will likely coincide?

GEORGE DARR: I'm not aware of any except anecdotally, I know that, of course, we are having a terrible water year now. I know that in central and eastern Oregon and Washington this has not been a very good wind year either because the same storms that create the water create the wind. But I don't know -- I don't have data on that. That's an observation, that's all.

Q.26. Is Bonneville going to fund a study to evaluate that?

GEORGE DARR: Yes. Well, we're going to fund a study to do this -- the risk analysis, basically that's described in the RFP. Whether that will be done externally or internally, I don't know yet. Yes?

Q.27. Has Bonneville done a study of a 3,000 megawatts of what they are looking at filling that up? I mean, 3,000 megawatts of gas-fired, and we're talking about from a wind standpoint whether there is wind or not, but those pipelines are not for 3,000 megawatts of gas in the northwest since we only have two pipelines up here.

GEORGE DARR: You keep wanting to segue me into gas. I can't talk about it. So, don't ask me a gas question. Gas is like an evil empire.

Q.28. You're not giving us any of your answers. That makes it a little difficult to decide whether, as developers and land owners, we want to spend a lot of money to either stalking horse type of thing -- I mean, I think your answers there are pretty clear.

GEORGE DARR: I hope they are clear now.

Q. {Comment} Yeah. Okay.

GEORGE DARR: Yes, sir?

Q.29. One question, George. Is Bonneville entertaining or working on a study to see how wind can help maximize hydro storage and how they fit together, hopefully giving wind perhaps additional credit in its value to the system?

GEORGE DARR: I believe the Power System Impact Study will contribute to our understanding of how the two either complement each other or detract from each other.

Q.30. Is it possible, as a result of that study that you would – that wind will be more valuable?

GEORGE DARR: That is possible. It is possible that wind could be more valuable.

Q.31. Would it be worth considering a wind resource that matches a hydro resource that complements hydro resources developer?

GEORGE DARR: Within the boundaries of this RFP, I would say no because you only have until April 6th to figure it out. We don't have the results of the study -- of this Power System Impact Study. Over the long-term, I would say absolutely. Are we done with Section .4? Okay.

Solicitation Schedule: Proposals need to be in here by April 6th, and they need to be 10 copies in paper, and we also need an electronic copy either in Adobe Portable Document Format or Microsoft Word and Excel files. In fact, some things actually have to be in Excel files, as we find out later in the document. Again, your main contact during this process will be Sheila, and her E-mail address is listed in Section 1.6.

Developers may withdraw or modify their proposals. You can withdraw your proposal at any time, of course, but you could modify it up until the date up until the response deadline. Yeah, Rick?

Q.32. To back up to the previous one, it says unsolicited wind project proposals that were received by BPA before 3:00 p.m. PST on February 6th will be considered. Can you tell us how many of those proposals exist today?

GEORGE DARR: No, I can't because we're still evaluating -- the question is -- regards the statement that some unsolicited proposals that were received before 3:00 PST on February 6 and have enough of the information that we require will not have to go through the RFP process. The question was, how many proposals are in that category, and I can't give the answer right now. But we do have some unsolicited proposals in-house that may meet those requirements. Yes?

Q.33. George, if you find that there are a fair number of experienced developers otherwise qualified who need a little bit more time to put together all of the detailed data that's in your shopping list here, is there a chance that this deadline could be extended beyond April 6?

GEORGE DARR: I can't say with finality that the answer is “no,” that it would not be extended. We'll just see what happens, I guess.

Q. {Comment} Right.

GEORGE DARR: Confidential or Proprietary Information. Let me explain where we're coming from on this. You know, as a federal agency, we are subject to public disclosure of virtually everything. There are things that we can protect. We can protect confidential and proprietary information that is submitted to us. It has to be truly confidential and proprietary.

There have been instances in my own experience where developers have labeled the entire document "Confidential" and wouldn't allow us to even reveal that they even existed, and I'm not going through that again. So, we ask that if something is truly confidential -- I assume this is going to be your cost proposal and would be your wind data, but other than that, we expect to be able to say, "These are the proposals that we received. These are the locations. These are the megawatts" -- be able to talk in general terms about the facilities. And just keep in mind, we are a public agency. And this is just what it's going to take to do business with us.

We have already talked a little bit about communication. Are there any other questions about the communication process? Okay.

Project Requirements, Section 2. Basically, we're looking to have -- well, this RFP is directed at experienced wind project developers who have a demonstrated ability to do a wind -- commercial-scale wind project, and it will be up to the developer to obtain all of the land lease rights and do the project design, basically do everything necessary to construct and operate the project, obtain long-term financing, basically do everything it's going to take to deliver the power to the Bonneville grid. Yes?

Q.34. So, on April 6th, you will require the site control transmission and so forth, is that correct?

GEORGE DARR: Yes. There are certain things that -- do you have a question, Don?

Q.35. Yeah, on number 2., number three, Site Control. If a person is working with federal land, that's not something that you can just kind of go out and get in the same way with private land. It's very hard to meet anything like that in the federal land situations because you've got to go through the environmental studies and so on before you get the right-of-way.

GEORGE DARR: Did everybody hear that question? It has to do with how does number three apply to land owned -- a project that is on federal land because the federal agency will have to do an EIS or some sort of environmental study to indicate whether they can make a decision to approve the lease. Well, I assume there is going to be some sort of -- basically some kind of thing -- an option agreement. There is going to be something that -- some preliminary agreement between the agency and the developer that would even initiate -- cause them to initiate the environmental process.

Q. Excuse me?

GEORGE DARR: Yes, sir?

Q.36. George, the only thing that you can do on federal land is to have an application. For example, BLM -- the only thing you are going to be able to have is a copy of an application prior to any process being started. So, going to that gentleman's question, is that sufficient, i.e., that you have filed an application?

GEORGE DARR: The question is, "would just the application to the federal agency be sufficient to satisfy number three." And the only reason I hesitate is it possible for the agency to be considering multiple applications for the same property?

Q.37. Very possible. Very possible, but that's what -- the situation you have with federal land. It creates a dilemma.

GEORGE DARR: Yes, indeed, it creates a dilemma. In the case of a federal facility on federal land, I think we'll have to consider this on a case-by-case basis.

Q.38. Your objective is to review these proposals would be for you to be able to . . .

THE REPORTER: I couldn't hear that.

GEORGE DARR: The questions is, “are there reasons for the threshold requirements to determine the viability of the project.” And the answer is that we feel that there are certain things that, if you haven't met certain requirements, you don't really have a project. If you don't have site control, you don't have a project. Those kinds of things. We try to put down the minimum things we felt were absolutely necessary for someone to have a real project. I hear a lot of people -- people call up every day and say, "I have a piece of windy -- I know where there is a piece of windy land. Can I get a contract?" I would like to have something a little more substantial in these proposals. Yes, sir?

Q.39. George, would the requirements for federal land apply as equally to tribal land?

GEORGE DARR: Yes. Let me back up from that. I'm sorry. On tribal land, why wouldn't it be possible to get a commitment from the tribe?

Q. {Comment} You may, but the land is still held in trust by the federal government. There is still going to be the Bureau of Indian Affairs process, probably Department of the Interior procedures required as well.

GEORGE DARR: Okay. Again, we’ll consider that on a case-by-case basis. Was there another question? Yes, sir?

Q.40. Yeah, you talk about 30 days from now to have all this together. You talk about thousands of megawatts?

GEORGE DARR: Yes.

Q.41. How did you come up with 30 days? That's a pretty tight time frame unless people have been in here a long time or the proposals that you have seen are -- look -- have all that data or -- I mean, those are questions I would ask.

GEORGE DARR: Well, okay. It's a fair question. And the answer is, if you look at the time when we really need the power, which is going to be before 2004 and earlier, if possible, and you look at a reasonable time schedule for developing a project, you start backing it up. We don't have much time right now. So, there wasn't an opportunity -- I didn't feel we have the opportunity to set a long period for people to come in and basically start a project, acquire leases, do all the front end stuff so they could participate in this. There just wasn't time to do that. So, the implication is, does these favor developers who have a head start? Of course. It does. It's not to say there won't be a future RFP, but the objective here is to bring as many megawatts on line as quickly as possible. Did you have a question?

Q.42. Well, it's along the same lines. It seems as though it sort of favors the big players that have been here for quite a while. I gather that's your intent.

GEORGE DARR: Well, it's our intent -- our intent is to bring a lot of megawatts on line as soon as possible. If some people have anticipated the market better than others have, I mean, that's business.

Q.43. Do you have like a laundry list of who your demonstrated, successful project developers are?

GEORGE DARR: No, I do not.

Q.44. George, if the goal is to target say, 1,000 megawatts, even for some of the players who have been in the Pacific Northwest who got a head start on the development process, if they don't have enough land to achieve that goal in this first round, are you going to consider applications for future projects that might go towards meeting an eventual goal of 1,000 megawatts, or is this it? Whatever comes to the table in the next 30 days is really what you are going to negotiate for?

GEORGE DARR: I think the question is, if basically is this RFP, whatever we get on April 6, will that be it? I can't say. I honestly can't say. There may be future RFPs or not. I don't know. I'll just -- we will just have to see what we get.

Okay? Are there any other questions on Section 2.0? Yes, sir?

Q.45. I have a similar type of question on number eight. Rod, R-O-D?

GEORGE DARR: Yes?

Q.46. That process is what you talked about earlier that you do everything up to a certain point, you go through the environmental process. We have the PPA negotiated but not signed, and move. And then you wait for that to happen some time late next year --

GEORGE DARR: Correct.

Q.47. -- Based on the current schedule. Then, has BPA gone through this process before on other acquisitions of projects? And how are those projects operating today?

GEORGE DARR: Have we gone through --

Q.48. Acquiring through an RFP process, going through the developers waiting for the RFP to take place. And then, I want to see if the whole process has been worked through.

GEORGE DARR: Yes, it has actually been. We have done that on some occasions. We have done that with a couple of geothermal projects that we have been involved in. We are currently in the process of doing that on several wind projects. We did that on the Wyoming projects, basically. It wasn't quite this format, but --basically the same idea. Maybe it's a good time to lay this out. This is kind of how it has to go. We will select certain projects that we want to do a -- select certain projects, basically it will be a short list -- a negotiating list. Then, we'll try to negotiate a Power Purchase Agreement and what we call a Predevelopment Agreement.

The Predevelopment Agreement is something that defines what each of the parties is going to do while the environmental impact review goes on because Bonneville can't make a commitment until that is done.

Well, Bonneville will be expending funds on the EIS. The developer will be expending funds on their activities -- permitting or whatever. The idea is at the end of the day when it comes to issue a record of decision, and it could be a yes or no. If it turns out to be a no, we want to part friends, if possible. Okay?

We, at least, want to know up front what -- who gets paid what, if the whole thing just doesn't work out. That has occurred in the past. So, we are looking for fair treatment. Does that make sense? Larry, you have a question?

Q.49. I think it's related to this. Typically, proposals have sort of a “life” to them. You know, like it’s good for the next six months. You get into this process that's going to drag out for longer than a year, are you looking to obligate a developer to stick through that entire process until you make a decision?

GEORGE DARR: Yes.

Q.50. If the developer says, "Well, hey, I have been doing -- I have been carrying my end here, but Bonneville can't make a decision. I have an opportunity to sell this electricity to somebody else for a higher price sooner," are you going to try to prevent that?

GEORGE DARR: The question was would we prevent -- try to prevent a developer from selling to someone else while we were still trying to finish our decision process, and I guess the answer is, we would do whatever we are able to do under the Predevelopment Agreement. In other words, I suggest you look at that, what it does it says that certain costs will be reimbursed and certain costs won't. And during that period, there is a deadline. There is an end point to the process.

Take a look at the Predevelopment Agreement. If that is not the kind of agreement that you can live with, then you probably should not do business with Bonneville. Yeah, Don?

Q.51. Number four, given that it takes so long to find out whether -- and what the capacity of the nearest transmission line is, how do we square that knowledge with the April 6th deadline? I mean, I'm reading now that TBL is saying 9 to 12 months to do the interconnection study.

GEORGE DARR: Uh-huh.

Q.52. And if that's the case, then to fully satisfy number four, if I understand it correctly, one would have had already have that result in hand by April 6th.

GEORGE DARR: I recognize that for number four, there is a continuum of certainty about whether transmission capacity may be available. And I don't know how far I should go here because I know there are others -- there were others in the room that could answer this more authoritatively. But it's my understanding our transmission business line will give a preliminary indication of whether there is transmission capacity available on one of our lines. And if that's the best you can do, then that's the best you can do.

Q.53. George, do you want me to -- I don't know if Mike is here or not. There are actually two parts to this. One is the interconnection study. The other one is the purchase of any transmission. The assumption here is that I think we're dealing primarily with the interconnection. I guess, I don't -- you will have to address this, but the power business line will be buying the transmission in these instances?

GEORGE DARR: Well, actually, I think what we were trying to address here is whether there actually is capacity available on the line. So, that would be something a system study would determine ultimately.

Q.54. Right, but again, in terms of being able to -- wheel power from a particular wind site under a point-to-point transmission agreement, then there would be -- there are constraints -- seriously constrained paths in the region. There would need to be, depending on the point of integration on the point of delivery, a study in most instances --

GEORGE DARR: Yes.

Q.55. -- If it turns out at the point of integration and the point of delivery, there is no constraint, then a study may not be required. You still do have the interconnection issue. I want to emphasize there are two parts -- two parts to this. If folks are interested in interconnecting with the federal system, then there is a set of interconnection standards that you all -- I don't know if you have them in your package.

GEORGE DARR: They are sitting on the table back there.

Q.56. There is a set of standards that have to be complied with. There is an application process that one needs to go through with the transmission business line in order to initiate that process.

GEORGE DARR: Number four is intended mainly to address whether there is transmission capacity available on the line that the project would connect to. The power business line would be responsible for charges on the system, in general, and after the power is delivered to the Bonneville system.

Q.57. By way of clarification and breaking this thing into its pieces, and then a question. First of all, if you are located within the BPA system, a point of interconnection can be determined. In other words, I can say, "I want to interconnect at point 'A.'" The transmission business line unit, I would assume, would say "Yes, we have transmission capacity at that point to interconnect you and integrate into the grid." That may be one output.

Another output may be, "No, we don't have or we do not have transmission capacity, and we're going to need to build something more." That's going to be a question in just a minute. The second part of it is whether you are located outside of BPA territory, your proposal says you've got to get to a BPA service territory. So, in that case, you get into the BPA's service territory, and the same issues crop up. Are there transmission -- is there transmission capacity? Are there upgrades required?

Now, here is the question. Given those two scenarios, one, you can determine the point of interconnection; two, the transmission people say, "Yes, we have transmission capacity" or "No, we do not." If the answer is "No, we do not," then does BPA pay for those upgrades to the grid to -- to take and facilitate the integration of the wind generation into the system?

GEORGE DARR: Maybe we should deal with that in parts and maybe Dennis and -- I see Mike is back. Maybe you could help us with that. The first part of the question has to do with whether the TBL would be able to give an indication of whether the transmission capacity is available based on -- just on an inquiry.

MIKE RASCHIO: Basically, right now, we have probably 20,000 megawatts of transmission -- request for generation or interconnection in our system. In all these projects, we would have to look at each one of your projects on an individual basis, see where it's located, look at the interconnection requirements for the local area first. That's what you would be concerned with --

the developers would be submitting interconnection requests with us to look at how do I interconnect to line such and such.

My understanding of the RFP: The PBL is responsible for moving the transmission across the system from that point to wherever they want to deliver it. They are responsible for the transmission so they are going to have to come to us ask us for transmission and look at those issues dealing with transmission. Most of our systems are constrained in one place or another, one season or another. It's probably going to be how they shape the hydro system and so forth to determine what's going to happen. We have a number of projects we're looking at building transmission, but they are not going to be in place until the 2004 or 2005 time period.

Q.58. Well, then, let's try and get this thing pinned down very, very clearly. If the RFP requires that we specify a point of interconnection and transmission, then are you saying that going to the transmission business line asking them for a method of interconnection and a determination, that there is no way those people with 20,000 megawatts of request can have that completed by April 6th?

GEORGE DARR: Okay. Mike is shaking his head no. It's my understanding -- maybe it was before. Maybe it was not recently enough -- that people could get a preliminary indication of whether transmission capacity was available to be followed up with -- by a systems study.

MIKE RASCHIO: There are two types of transmission capacity. It's the local capacity just to interconnect a certain amount of megawatts into the local transmission. And that was what we call an interconnection study. The next thing is a transmission from where it's going to -- where is that power going to go? We don't know that.

Q. {Comment} I understand that.

MIKE RASCHIO: We can't -- there is no way until somebody says this power is going from here point "A" to "B" before you get transmission.

Q.59. I understand that. I'm trying to satisfy the requirements of the proposal such that I don't get my proposal thrown out, and that says that if I come to you with a statement I want to interconnect at point "A." And you tell me, "Yes, you can interconnect," or "We have got to do a study," or "There is not sufficient transformer capacity at that particular substation." And you are going to have to do some upgrades and we have got to study that and it’s going to take oh, another six to eight weeks to study or several months to study, then I'm put in the position where I cannot satisfy George's proposal. So, my proposal comes back. It's the chicken and the egg. Is my project going to be rejected? It may be sufficient.

GEORGE DARR: I understand.

Q.60. I would hope it would be sufficient to say that I have contacted the transmission business line, that an interconnection study is in progress, and that I am willing to take and pay for the interconnection which should be sufficient to satisfy your requirements on the proposal.

GEORGE DARR: I think we should reconsider section 2.1 item 4.

Q. Okay. Thank you.

GEORGE DARR: Is that fair?

Q.61. Expanding then, whoever has to do the power-flow studies to determine whether or not there are any other upgrades that are going to be required to integrate the power within the grid. I would assume -- and I want confirmation on that -- that (1) BPA would do those studies and (2) BPA would assume the costs to upgrade -- to do those upgrades that that would not be the responsibility of the developer.

GEORGE DARR: They would be the responsibility of the developer.

Q.62. In other words, if you have to upgrade a transmission line say, 100 miles within the system as determined by the impact study that the developer would be required to pick and pay for that?

GEORGE DARR: Say, for instance, you want to connect -- there is an existing 69 kV line you want to connect to. You want to put 100 megawatts on it. It needs to be upgraded to 115 kV.

Q.63. That I can understand. However, in an impact study where you can quote loads and stability, you may determine that the bank is now overloaded at a substation that is totally remote within the grid because of power flows analysis. Are we therefore going to be required to pay for those -- pay for those upgrades?

MIKE RASCHIO: We would have to look at that on an individual case-by-case basis. Again, it depends on the network facility. It depends on where the transmission is going, if it's -- how many people are using it, what the situation is.

There is no clear-cut answer to that question. All the local costs of interconnections to our transmission line that we have to do at point of interconnection is all the cost of the developer. The interconnection study is all the cost of the developer. The reinforcements to the system are dependent upon what's required, what revenues we would incur by providing the transmission service, and whether or not the sole purpose is for this generation or for some other purposes.

Q.64. But I would maintain if you own the resource and cause those -- if you were constructing a resource, and you had an impact to your grid, BPA would pick up those costs to integrate their own resources. What I'm hearing from you guys is that you would assume those cost responsibilities may be placed on us. And what I'm trying to get at is that then that adds to the shaping charges -- it's in addition to the shaping charges, therefore it becomes a penalty against a proposal. So, I would submit that you folks really seriously reconsider that position.

MIKE RASCHIO: Again, the transmission -- there is two parts. There is an interconnection, and the requirements of that. And that's the cost of the developer.

Q. {Comment} No dispute.

MIKE RASCHIO: Any reinforcement required to move it to the load area is the responsibility of the transmission contract holder. And depending upon what has to be done and what the causes are and who participates in that, that's not the developer's situation. It's not their -- it's the transmission contract holder that's responsible for the reinforcements, the network transmission to move the power outside the local area.

GEORGE DARR: I see --

Q.65. BPA is taking it at the point where there is connection to the grid. BPA Power Marketing is taking it to the point where you interconnect with the BPA transmission system. Therefore, it's BPA's Power Marketing that's wheeling the power across BPA transmission lines. If there are upgrades necessary to do that, BPA Power Marketing, I assume, would pay for those upgrades.

GEORGE DARR: It depends on where they are. That's what Mike was trying to say. If they are local upgrades, then the developer would be required to pay for them. If they are transmission system upgrades, it sounds like it's a gray area. Is that accurate, Mike?

MIKE RASCHIO transmission: Transmission system upgrades -- first of all, you have to have a transmission. Somebody is going to request transmission to TBL. Whoever it is, we would look at what has to be done and what it would cost to do that. We do what we call an incremental test to determine whether or not that would recover our costs through the transmission rates that we're charging. If not, there is an additional transmission charge placed on whomever the transmission contract holder is to do those reinforcements and to move the power. They don't essentially pay for those reinforcements. That's the way our tariff is. That's the way we handle all our requests for transmission.

GEORGE DARR: What I am hearing is transmission issue is muddy, and it needs to be revisited in a way that people can understand better.

Q. Excuse me. Mike said something -- Mike, is that correct?

MIKE RASCHIO: Yes.

Q.66. Mike said something that also brings up another issue. Paying for transmission service within the BPA transmission grid. Once we get the power into your grid, why should we pay for transmission service to the load center?

GEORGE DARR: You wouldn't.

MIKE RASCHIO: It's the transmission contract holder who will pay for the transmission service. In this case, it will probably be PBL, not the developer. Again, PBL and TBL are two separate functions.

Q. {Comment} Fine. Thank you for that clarification.

MIKE RASCHIO: It is confusing at times.

GEORGE DARR: Tom?

Q.67. I think one other factor to consider is your revisiting of this issue of the time requirements. The second study that Mike is referring to may come up with some additions or changes to the system, but then require a certain amount of lead time to do, whether it's equipment ordering or it's environmental studies, or it's right-of-way expansion, whatever. That is another whole "got ya" kind of potential issue other than megawatts and costs.

GEORGE DARR: Chances are, the developer won't know that. No one will know that at the front end.

MIKE RASCHIO: It seems to me that what would happen is, you would review your proposals, make some preliminary determinations of those proposals that meet your threshold criteria, then make a request to the transmission business line to look at the study to see what incremental transmission on the network -- not interconnection -- but might be required on the network in order to move the power to the load centers.

GEORGE DARR: That would be the system study?

MIKE RASCHIOA. That would be the system study, and it seems to me that if the PBL were going to hold transmission contract with the TBL, you would make that request to us at some point.

GEORGE DARR: The way the predevelopment agreement is currently written, the developer asks for the system study and pays for the system study, and if PBL does not ultimately sign the PPA, then those costs would be reimbursed. We'll revisit this transmission issue. Yes, sir?

Q.68. George, one question. I just want to make sure that we're all 100 percent clear. On number four, basically what you are saying is, one of the threshold requirements is that you have to have a completed study.

GEORGE DARR: No, I think -- it has to show that capacity is available at your proposed point of interconnect.

Q.69. Are you going -- do we have a commitment from you now that you are going to strike that requirement or threshold requirement or modify it such that it's not necessarily the case?

GEORGE DARR: I won't make a commitment just now. But I guess, frankly, I think we need to modify it because what I'm hearing this is not going to be possible for people to know at the front end whether this requirement can be met. So --

Q.70. Well, maybe your elicited proposals, and that's a question.

GEORGE DARR: Okay. Well, the point is well taken on number four.

Q.71. George, it would seem to me that PBL is holding the transmission, and there are -- there is exposure, incremental costs of the standard tariff green. In keeping with your earlier comments on costs that it's likely that that would be –

THE REPORTER: I couldn't hear -- in other words, if one project is coming in your threshold price and you can move it across the transmission grid without incremental costs on your -- and another project the exact same price requires incremental transmission costs –

GEORGE DARR: It will be screening criteria, yes.

Q.72. Automatically, it will defeat your goal under those -- under those circumstances?

GEORGE DARR: Well, okay. Realistically, it seems that what we have to do is we have to figure out how we can serve a load with these resources, and that has to be figured into what we actually require. And it doesn't make sense to me to try to examine the whole system in every possible location of a wind resource at the front end. So, basically, we have to see what proposals come in, and then what makes sense in terms of where our loads are.

Q. {Comment} Absolutely. I totally agree.

GEORGE DARR: Okay. It's 10:30. Do people want to take a break for 5 minutes? How about if we reconvene at 10:45 sharp?

(15-minute break was taken.)

GEORGE DARR: Would people please be seated and let's get started? Well, we managed to get through the first 7 of what, 22 pages. So, we need to get through the rest of this thing. So, I will not try to read every word, and I will -- how about if we just kind of hit section headings. If people have a question, we will try to hit it as quick as possible and hopefully try to answer it. Any questions about the preferred characteristics. Yes, sir?

Q.73. Just a quick one. The one year of wind data that certainly would be --

GEORGE DARR: Preferable, yes.

Q.73 -- preferable here, but will the project or proposal be rejected if they have not yet collected one year of wind data, but it's in progress?

GEORGE DARR: They would not be rejected, but plainly there would be a lot more certainty to the output certainty if they had more data. That's why I made this -- maybe we ought to stick these transmission considerations into the preferred category instead of the threshold. Maybe that's what I should have done way back. So, anything else about Section 2.2?

Section 2.3 just specifies basically that the developer is responsible for virtually everything.

Section 2.4 is the cost proposal, and it just says that we will consider a variety of cost structures. And just make sure people are clear that we're not going to provide financing and that we cannot own the facilities.

Q.74. On the very last line there, George, talks about the BPA must receive the rights to all emissions credits and other green credits and pay, etc. That means that BPA has a value attached to those?

GEORGE DARR: Yes.

Q.75. What are those values?

GEORGE DARR: Those values are a moving target.

Q.76. What's the range then?

GEORGE DARR: I'm not prepared to discuss it. It's something that -- we want the whole project. We want it with all its attributes. If there are pieces missing from it, it has less value to it.

Q.77. What about the "green" problem? There is a green value?

GEORGE DARR: There could be a green -- yeah, green tag value. Yes?

Q.78. Okay. Is that green tag value above the five to six cents in gas? Is that an add-on to that?

GEORGE DARR: That entire last sentence is intended to convey is that we want the whole project, and we don't want parts taken off. That's all. It's not a statement about how much we value it.

Q. Okay.

GEORGE DARR: You would make a statement about how much you value it by --

Q.79. You want the green credits, but we won't get any value for those versus when we are compared against a thermal plant that's polluting the air? I mean, come on. Because people are buying green tags that have thermal plants.

GEORGE DARR: I guess, I don't want to answer that. There is an answer to that, and I don't want to give it. How about that?

Q.80. So the answer is, you are willing to take wind. You want the green tags. You are not going to evaluate them, but we are going to be evaluated against thermal plants that pollute the air?

GEORGE DARR: Sure. Whatever.

Q.81. Is there any capacity payment that goes along with this production knowing that it isn't a firm source, but in, for instance, California they give a 5 percent capacity credit when your supplying power.

GEORGE DARR: Typically, we have not done that. You are not precluded from proposing that kind of structure.

Q.82. George, would -- let's go back to the green credits. I'm sorry. But could we request that BPA consider evaluating proposals by putting some value on green credits or green attributes in their comparison? Would that be a fair request to make? At least, I would like to recommend that BPA, at least, consider that.

GEORGE DARR: You could put it in there. It's difficult for me to figure out how we would value that on a 20-year contract. How we would place a value on it? Maybe there is a way to sell CO2 credits or something like that. I know there is. It's involving the market, but what's the value of it? I just want to make sure that if there is a value in the future, that I have the whole project. That's all --

Q. {Comment} Right. I understand.

Q.83. Could I just ask you on this REPI -- if I find a production tax credit -- I think you got this right, from what I understand it. There are uncertainties about that. You are trying to factor in those uncertainties in a way that’s valid. We don't know --

GEORGE DARR: Right. So, if there is no production tax credit at least we know what the pricing looks like without it.

Q.84. Can you -- because the public agencies have been dependent on the REPI funds and so on. From what I understand before Congress, there are a number of ways of dealing with it. One of the lead ways is going to be their computing a uniform tradable tax credit that's going to be available to everybody and have some value.

That appeals to me a lot. It's something that I think will help in this process. So, can we assume that treating this in this way, there will be sort of no prejudice between a proposal that comes in that's a REPI-eligible project and one that's a PTC-eligible project? In other words, those uncertainties will be dealt with the same?

GEORGE DARR: If the uncertainty regarding the annual appropriation of the REPI gets removed and is put on the equal footing with the PTC --

Q. {Comment} That won't be resolved --

GEORGE DARR: That won't be resolved, right.

Q. {Comment} -- in the time frame we have got.

GEORGE DARR: It might not --

Q. {Comment} The PTC might not be renewed.

GEORGE DARR: Well, all of these might be resolved before Bonneville can make a final decision.

Q.85. So, that wouldn't lead to some sort of exclusion prior to that point. In other words, greater uncertainty -- everything else being equal, a project that depends on a REPI is not going to be disadvantaged versus a project that's dependent on PTC?

GEORGE DARR: I have to get back to you on that one.

Q. Okay.

Q.86. But going back to the preferred characteristics. You identify in number two, a project with proven wind turbine technology. I understand your rationale here. Does Bonneville, as a federal agency, have any buy American obligations?

GEORGE DARR: No, not -- I'm not aware of any, let's put it that way.

Q. (Comment} Amazing.

GEORGE DARR: Are you aware of some?

Q. (Comment} Well, we're a federal subcontractor, and we sure as hell have them in our subcontracts. I can't imagine the agency not.

Q. (Comment} Tennessee doesn't have them either.

THE REPORTER: I can't hear you.

Q. (Comment} I was just clarifying for Larry that Tennessee Valley Authority, also a federal agency, you know, recently purchased some non-American equipment as well. So, that's a federal agency.

GEORGE DARR: We have no prejudice against American equipment.

Q. (Comment} DOE demonstration projects have that requirement.

GEORGE DARR: Okay. Is there anything more on Section 2.5? Did we pretty much cover that earlier? Good. Thank you.

Section 2.6. People are frequently unclear about the permitting process, but we've talked about that a little bit already. Anything else to discuss in Section 2.6? Don?

Q.87. In some places where there have been clusters of wind projects -- and I'll use Buffalo Ridge as an example -- the environmental review process was consolidated in the buyer, which was Northern States Power. So, basically, all of the wind developers were subject to the same avian study, guidelines and protocol, and methodology, and impacts review process. It was all consolidated. They didn't take any of those risks, basically, as to defending whether that was a good study or bad study. They got the benefit of being able to get cumulative impacts by just paying in to reimburse their proportional share.

If Bonneville were to find itself in the situation here where you were buying from multiple projects in the same vicinity, would you consider instituting something like that process to enhance the environmental review and work with the developers that way or --

GEORGE DARR: So, what you are suggesting is a possibility of environmental review that would look at multiple projects in an area? I think that we would definitely consider that. In fact, it might even be a requirement just because of reasonably foreseeable impacts.

Q.88. I was thinking, in particular, the avian study because that involves post-construction impacts monitoring and all kinds of issues come up regarding apples and oranges when you spread them across federal projects.

GEORGE DARR: Sure. I guess I was thinking cumulative impacts.

Q. Cumulative is another issue there too.

GEORGE DARR: Yes, certainly.

Q. George, you've got a “phone” call question.

GEORGE DARR: A phone question. Please?

Q.89. Hello. If two developers are working in the same area and collaborate to some extent, and their combined bids are above the 50 average megawatt threshold, to what extent -- what criteria are used to separate the two?

GEORGE DARR: This is a little untrodden ground. I believe we would have to consult the Power Council. But I believe the answer will be we have two different contracts, two different

developers, and as long as we're not playing any games with the process, I don't see why it would be a problem to do what you have suggested.

Q. (Comment} Okay.

GEORGE DARR: It's kind of hard to believe that two developers would cooperate with each other though. Are you thinking of combining projects as a possible process?

Q. (Comment} He's talking about combining two different projects.

GEORGE DARR: Person on the phone, were you talking about combining two projects?

Q.90. No, but if there are two developers and they are working in the same area, and their projects say combine to total average megawatts, but they are not -- they are not submitting a single bid. They are submitting two separate bids, and each one is going to be judged on its own merits. I was just wondering if BPA would look at them as a single bid because of the collaboration.

GEORGE DARR: I think the answer is no.

Section 2.7 just basically talks about the fact that we have to issue a Record of Decision, and there is an appeals process and that appeals go to the
Ninth Circuit.

Section 2.8 just describes the 6(c) process. If anyone wants a copy of the 6(c) process of the Northwest Power Act to check it out, we can supply that, or you can just get it around the corner at the Public Information Office.

The predevelopment agreement is now available. I hope you've all picked up copies. It kind of lays out a typical way we do one of these agreements. I've already talked about that a little bit.

Next is the Power Purchase Agreement. I apologize. It's not quite ready. The attorneys wanted to spend a little more time with it. The draft is completed. It should be ready shortly. There is no -- I don't think you'll find any surprises in it. The only thing that's probably non-typical is that we require an ability to get out of the contract at any time, but of course, we would pay. So, there is a termination for convenience clause.

Q.91. So, we'll see this on the web site soon?

GEORGE DARR: It will be posted on the web site soon. The Schedule is one of the attachments that you actually have. It's just a sample schedule that seemed somewhat reasonable to me. I hope that the developers will be able to beat it.

We're on Section 3, which basically lays out the response format and tells people -- what kind of information we're asking for -- that's all. And in what format so that we can look at the same thing from everybody and the same kind of format which will facilitate the evaluation of these proposals.

Q. George?

GEORGE DARR: Yes, sir?

Q.92. When I go back and read about the unsolicited proposals, they have to meet Section 4 and 5, whereas we all have to meet Section 3. Why don't they have to meet that if we're, you know this is going to be a fair judgment between us and them?

GEORGE DARR: Well, one reason is because people had submitted proposals to us before they knew what this looked like.

Q.93. Are there two processes going on here?

GEORGE DARR: Yes, there are some projects that are ahead of other projects. Yeah, there are some projects we may ultimately do -- we're evaluating them now -- that are ahead of this. That's all.

Q.94. Why doesn't BPA ask the submitters of those unsolicited proposals to resubmit them in a format that they can be compared on an apples-to-apples basis?

GEORGE DARR: Well, a couple of reasons. One is that it would be changing rules in the middle of the game, for one thing. We have been accepting unsolicited proposals. We basically said, "Well, here is the cutoff date. Now, we're going to do this RFP."

Q.95. Can we draw from that George, that after April 6, you will open up your door again to unsolicited proposals?

GEORGE DARR: I don't know whether we will or not.

Basically, are there any questions on Section 4 about -- yes, sir?

Q.96. I assume that you will allow a change in turbine if we can demonstrate that it meets all your technical requirements and it's a better deal for the project? You mentioned that you specified turbine --

GEORGE DARR: You mean, somewhere down the line?

Q.97. That is correct. You have things like transmission studies that are going to take place that could be affected by type of turbine. You've got improved yields, lower costs. You can have a whole list of things.

GEORGE DARR: That’s true. I guess, I don't see on the face of it any problem with a mutual agreement to change certain aspects of the project, sure.

Q.98. As long as it meets your approved turbine requirements?

GEORGE DARR: Yes.

Q.99. But in the NEPA process, you have to identify the height and scope of that turbine. If you change that, you have to go back through that.

GEORGE DARR: That’s a good point. Basically, when we do the NEPA process, we have to -- one way to approach that is you can establish boundaries. As long as you look at the impacts -- as long as the impacts fall within the boundaries of what you have proposed. So, for instance,

one could say, This project will have this kind of turbine that may be from 600 kilowatts to 1.5 megawatts or something. And as long as we examine the environment impacts of that range within the document, then we're covered. We can do that kind of thing.

Q.100. One other thing with regards to the arrangement of key facilities in the first bullet on 4.3. This plays quite a bit with the third bullet, expected output and turbine selection. I would hope that you would, again, allow some flexibility as micro-siting work is done, and other work is done on the sites, to nail these things down a bit more.

GEORGE DARR: We're realistic about this, of course. We know that at the front end of these projects, a lot of these things are going to have to -- this is our best guesstimate at the front end that -- and some of these things may move around.

Q. {Comment} That's the important word, "our best guesstimate." It's not the language of the RFP.

GEORGE DARR: Okay. Well, of course, we ask for everything that we would love to have.

Q. {Comment} Right.

Q.101. George, in Section 4.6, Project Output. Could you explain the reason for requiring information on . . ?

THE REPORTER: I can't hear you. Information on what?

Q.101 {continued} -- information on array or wind turbine interference, transmission control and turbulence, and "other." And it includes blade soiling, etc.

GEORGE DARR: I think what we're looking for there is we just wanted to make sure that we understood what was included and not included in the estimate of output.

Q.102. You are looking for a net output? If I give you a net number, would that satisfy you?

GEORGE DARR: I will try to buck this to the people who put this on here.
Tom, are you on the line by chance? I guess not.

Q. {Comment} I can certainly understand you wanting to know what our projections on availability are.

GEORGE DARR: Yes.

Q.103. But in terms of everything else, if I specify an interconnection point, i.e., a delivery point, and I say I'm going to deliver estimated production based upon my production curve net --

GEORGE DARR: Uh-huh.

Q. Then you don't need to know what I assume for soiling of blades and array interference, so forth and so on.

GEORGE DARR: So the question is, are the bulleted items really necessary -- bottom line?

Q. Yes?

GEORGE DARR: We will reconsider.

Q.104. Based on a net number?

GEORGE DARR: Yeah. So, we just need to be clear what we are looking for is the net. These are net project output numbers.

Q. {Comment} Thank you.

GEORGE DARR: Anything else in Section 4? I don't know if it gives you any comfort, but this RFP was based on an RFP that I responded to myself, and I spent a couple of weekends on it. So, yes, you are going to be tortured.

Q. {Comment} What I want to try and do is only spend one weekend --

GEORGE DARR: One weekend? But it can be done in two weekends.

Q. George?

GEORGE DARR: Yes, sir?

Q.105. Are you familiar with a new law in Oregon that ups the minimum from 25 megawatts to 35 megawatts for a county to authorize of a project approval? Is that hearsay or do you know about it? Don?

A. Yeah.

GEORGE DARR: I understand that the minimum limit for the maximum -- the threshold for being kicked into the state's facility citing process is being reconsidered.

Q. Yeah, there was stuff of a bill yesterday that was going to take it up to 35 average megawatts, which brings it to 105 nameplate for wind.

Above that, you're back at the state. The other major provision was the ability to get the expedited review process for virtually any size wind project. But again, that's expedited review at the state. There may be a little tinkering on shortening that process, but it's only going to shave a few months off.

Q.106. Does that preclude an EIS in dealing with you?

GEORGE DARR: No, it does not.

Q.107. By the way, I want to add one other thing that we're at the very beginning of the legislative process on that. The legislature doesn't end until summer, and a lot can happen between now and then.

GEORGE DARR: It certainly may speed things up and reduce some costs if we can do projects without being kicked into the EFSC process.

Q.108. George, couldn't the environmental review process run concurrently with the EFSC process?

GEORGE DARR: It could, but my experience is that the EFSC process can actually take longer and be more difficult than the EIS process. On one project I worked on, there was an EIS that was an inch thick, and the EFSC application was about 4 inches thick. So, if that's any indication.

Are there any questions on Section 5?

Q. I'm sorry.

GEORGE DARR: I thought I was going to escape Section 4.

Q. Section 4.8, Major Equipment.

GEORGE DARR: Yes.

Q.109. I certainly can understand the information on the turbines that are going to be selected. My question pertains to the third paragraph -- excuse me -- fourth paragraph. I want to know what the other major components are. And I'm wondering what -- why that is required. Why do you need to know what the major components are?

GEORGE DARR: The reason why this is listed is it's actually the same philosophy as a number of things in this. It's to make sure that the developer has thought through the major aspects of the project. And I guess, I would think that towers, controllers, and these other items listed in this paragraph are things that someone should have thought about as they are putting the project together and probably could identify. Does that seem unreasonable to you?

Q.110. Well, I would agree but for the sake of responding to your proposal and evaluating it. You know what kind of machine it is. You know that the machine is going to be purchased complete. It's -- it probably has got a proven track record. It's not R&D. Therefore, it's a complete unit. The components -- information on the components add nothing to the evaluation process. If I tell you I'm going to use XYZ turbine, the model, and you get the specification, it's a complete turbine.

Q. {Comment} And further, he's an experienced developer.
Q. {Comment} Exactly. I think -- my impression, George, unfortunately, this seems a little overkill to go into that kind of detail. Make your job a lot simpler and brief.

Q.111. Isn't that paragraph asking for a wind plant's components and not the turbine components? It's not asking for gearboxes, blades, and brakes. It's asking for towers?

GEORGE DARR: Yes that is accurate. I guess I am going to back up on this one because I think that it's not unreasonable to require someone to have thought through this. That the greater level of detail that they have thought through what they are going to do is an indication of, basically, the maturity and experience, and how well they have thought through the project.

Q. If we have given you -- sorry to belabor --

GEORGE DARR: That’s all right.

Q.112. But, if we have given you a list-of-projects experience that we've put together, we are a reputable developer based upon the information that we supply you and that you evaluate. I mean, I would think you would let us or understand that we know what we're doing, i.e., we've got to put a pad, mount a transformer in.

GEORGE DARR: I understand. I guess, supplying this kind of information helps assure me that it is, in fact, the case.

Q.113. I'm not going to belabor it. I assume that Section 4.9 would be revisited?

GEORGE DARR: Yes, I think all the transmission sections will be revisited. Anything else in Section 4? Any questions about the cost proposal? Yes?

Q.114. On Section 4.0, regarding consultation, will you be observing the tribal government policy that DOE has as part of this?

GEORGE DARR: Yes. I believe -- well, can you help me on that? We have our own tribal policy, which I believe is in accord with the DOE policy.

Q. {Nandranie Tuck} Yeah. The two policies are in accordance with each other. I cannot provide anymore detail.

THE REPORTER: I cannot hear you.

{Nandranie Tuck} Q. I'm not familiar with the process for getting tribal consultation beyond saying that if you are going to site your project in a tribal trust -- tribal trust lands for areas that are commonly used by tribes, we would need to conduct --

THE REPORTER: We would need to conduct what?

Q. The developer will need to consult with the tribes.

Q.115. Do you have a preference to minorities and/or tribes?

GEORGE DARR: I don't think that's in the DOE policy, is it, Bob?

Q. It's one --

GEORGE DARR: So, I think this is going to be a get back to you item. The question is, will Bonneville -- will selections be made in accord with DOE tribal policy. Is that accurate?

Q. If BPA has a separate tribal policy --

GEORGE DARR: It will definitely be in accordance with our own tribal policy.

Q. Okay. Thank you.

{Nandranie Tuck} Q. I know DOE has revised their tribal policy recently. That's one thing that stops me.

GEORGE DARR: Anything else in Section 4? Pardon me? Okay, cost proposal. I think we've talked about most of this before, I believe.

Q.116. I just have one problem, and that is comparing us to gas without all the details. Shouldn't this be set aside as 1,000 megawatts of wind, and we all qualify within the same field, and you take the best prices from wind? These are long-term contracts. The price of wind today is going to be the same in 10, 15 and 20 years, whereas after your contract with gas, you could have the price be three times. And here, we are being compared to it.

GEORGE DARR: Yeah, I understand, but I'm not sure where I can go with it given that what we're doing here is displacing gas purchases. If this was just a renewable set aside type of an acquisition, that would be something else. We could definitely do what you suggested, but it's not.

Q.117. If we were displacing gas, then you would need a 20-year projection of gas prices to compare us to rather than a five-year contract.

GEORGE DARR: Okay. This is a -- basically, this is similar to an earlier comment that we would appreciate more specificity about how the comparison to the gas-fired resources is being made. Is that an accurate characterization?

Q. Yes.

GEORGE DARR: We'll consider that. Anything else on Section 5?

Q. George?

GEORGE DARR: Yes?

Q.118. In 5.2, the granting of the exclusive option to purchase. I was just quickly looking through the predevelopment agreement. Is that option in there?

GEORGE DARR: Yes.

Q.119. Is that option expected to be offered and committed to in the proposal that's due in April?

GEORGE DARR: Yes. This is section 4 of the Predevelopment Agreement.
Anything else in Section 5?

Section 6 just describes, in not a great deal of detail, what kind of criteria we will be using to evaluate the proposals. I think we've already talked about a lot of this.

Q. Excuse me?

GEORGE DARR: Yeah, Don?

Q.120. On Section 6., the last paragraph on the bottom where it says, each proposal will be evaluated for non-price factors before the cost proposal is considered. Are those non-price factors the screening or threshold criteria that you are referring to -- the -- earlier in the RFP, or

BPA is not even going to look at price at all and then whatever survives the non-price review, then is ranked in order of price? Is that how this will be administered?

GEORGE DARR: Yeah, I think, actually, it's the typical way that they do things in federal acquisitions is they look at how the non-price factors -- basically, there is a ranking based on non-price factors --

Q.121. So, the non-priced factors are more -- going to be used for more than just threshold requirements?

GEORGE DARR: Yes.

Q.122. This section, again, talks about the need to compare to a firm resource. Earlier, you had some numbers about cost of shaping and firming. What's the basis of that? What is the basis of those numbers? It's energy from hydro units?

GEORGE DARR: Yeah, it's an involved method for coming up with those numbers, which I'm really not prepared to defend or attempt to explain. Basically has to do with what it costs to use our existing resources to make up for the intermittent nature of the wind and presumably the unpredictable nature of the wind. Also, what it might cost us to acquire other resources, if necessary, to do that if we do not have the flexibility in our own system to do it, which appears to be very much the case these days.

Q.123. So, if we participate in this process, we're competing against wind plants that have already provided unsolicited bids. We're also competing against everything else out there i.e., thermal plants. Is this really open -- this comes across as if we're competing against wind projects against wind projects, but we're really competing against the basket that BPA holds?

GEORGE DARR: I guess, that's the glass half-empty look at it.

Q. {Comment} Tell me the full side.

GEORGE DARR: It appears to me to be a great opportunity to do a bunch of wind projects.

Q.124. To spend a lot of money?

GEORGE DARR: Spend a lot of money, you know, two weekends to do a proposal? Basically, a lot of this stuff needs to have been done ahead of time. Yeah, there is no denying that.

Q. I have a question.

GEORGE DARR: Yes?

Q.125. What is the desired -- after shaping -- shape of the resources are you talking about shaping it into a base load or shaping it into a peaking resource because that may effect the way that the developer wishes to deliver the energy to you.

GEORGE DARR: I interpret that to be another question about how we're going to make the comparison to the gas-fired resources. And we've already committed to providing more specificity on that. So, that's the way I'll try to address your question, if that's all right.

Q. Okay.

GEORGE DARR: Yeah.

Q.126. Earlier, we talked about a couple of ancillary studies that Bonneville was going to do: a System Impact Study and the Financial Risk Study. You mentioned if there was enough data provided in the proposal, you would try to do that on a project basis.

GEORGE DARR: Right.

Q.127. Under that situation, where and how in this steps of the evaluation, do those kind of results get factored in?

GEORGE DARR: Where and how?

Q.128. I mean, are those things going to be price criteria or non-price criteria? And if they are price criteria, I mean, you look at risk – risk of what, and then how does that relate to ranking projects by price, for instance?

GEORGE DARR: Well, basically, there is going to be -- there will be a shape of output to each of these facilities. There is a value of the output to us based on that shape and that will be factored in. That will be in the evaluation. Is that where your --

Q.129. Well, I was just trying to get some understanding how those results are going to be used for certain projects to rise to the top of the list or fall down the list and at what point. You might say that well, a certain class of projects are high risk to BPA. So you may throw that criteria into the non-price. So those projects get pushed aside even though they may be very low cost proposals. Whereas you would treat those proposals differently if you were to factor or not factor that into the non-price level, but you put it in a price level and you do more of a -- like you're implying, a value type of judgment. So, just the way that you -- way and where you plug these things in effects what proposals come to the top.

GEORGE DARR: I understand. I believe I have to check with the people who are actually going to do this. Well, let me get back to you. I don't want to give an answer unless I know the answer. Gary?

Q.130. To go back to the question that Don asked a couple of minutes ago on this non-price factor before cost proposal. And you -- I think he said -- he asked, are there non-price factors sort of over and above the threshold requirements identified in the RFP. And I thought the answer I heard from you was yes.

GEORGE DARR: Yes.

Q. If they are not identified in the RFP, how can one respond to those?

GEORGE DARR: Well, there is a whole bunch of non-price factors in the Section 4. We were talking about, you know, type of equipment and what level of environmental review and all this developer experience --

Q.131. Those are not threshold requirements?

GEORGE DARR: No. The threshold requirements are specified in Section 2 -- 2.1.

Q.132. So, I guess my real question is, there are no other non-price factors that will enter into this thing that are not identified somewhere in this document?

GEORGE DARR: None that I can think of, rather, none that I could think of, at the time I was writing the document. I'm not aware of any.

Q. {Comment} Okay.

GEORGE DARR: Anything else?

Q.133. Hey, George, this is always risky when employees ask questions. But if somebody wants to submit a bundle proposal where they would provide the shaping services maybe in conjunction with the marketer of the wind project basically, they will deliver it to us flat around the clock. Is that something we would consider?

GEORGE DARR: Yes, we would consider that.

I'm sorry. Thank you. Well, you have been a good audience. Thank you very much for your time, and thanks for coming. We appreciate it. I hope to see some good proposals.

(Meeting ended at 11:35 a.m.)