ATTACHMENT B

Response to Customer Comments on 2008 Network Open Season Recommendation

BPA has considered all the comments we received about our recommendation for the 2008 Network Open Season (NOS). A majority of the comments offered general support for the proposed package. We would like to thank the region for their support in this process. In addition there were requests that BPA continue to develop alternative methods of evaluating projects not included in the recommendation (La Grande, Harney Area and Northern Intertie reinforcements). BPA will continue to work with customers with regard to these projects. There were also questions on the financial analysis and the decision criteria. This information was presented at the December 9, 2008 and January 15, 2009 customer meetings and can be found on the NOS website at the following address:
http://www.transmission.bpa.gov/customer_forums/open_season/default.cfm

BPA also received suggestions and requests for changes on future network open seasons, many of which will be considered as we modify the process for 2009 and beyond. We did receive some input that we could provide a better explanation of our decision criteria and potential rate impacts of projects required to meet all requests for transmission.

The following are specific questions that were reviewed, discussed and considered in the final decision (with BPA responses in italics) to accept the staff recommendation to move forward on the NEPA review for McNary-John Day, Big Eddy-Substation Z, I-5 corridor, West of Garrison and Little Goose at embedded cost rates. The full submission of customer comments is posted to the NOS web site as Attachment B to the 2008 NOS Decision Letter at:
http://www.transmission.bpa.gov/customer_forums/open_season/default.cfm.

Security:

- Modify Deposit of Escrow language so it works for Washington PUDs (Snohomish)

We appreciate any suggestions that allow all parties to participate in the NOS process. BPA will work to develop optional language for consideration in future security requirements.

Termination of 2008 NOS PTSA:

- Do not terminate PTSA for Incremental Costs projects, keep open the option to keep them in the queue for subsequent NOS efforts (RNP)
- Allow roll-over security between NOS 2008 and NOS 2009 (CEP)

BPA's treatment of those PTSAs associated with projects that we are not moving forward at embedded cost rates is consistent with Section 5(c)(2) of the PTSA. Any other treatment of the PTSA and its associated security will need to be considered during the NOS transition period prior to the offering of the PTSA for a subsequent NOS.

Monroe-Echo Lake:

- Reconsider Monroe Echo Lake (Northern Intertie). Are there smaller projects that would meet the needs? (Snohomish)
- Reconsider Monroe Echo Lake (Northern Intertie). Include $12 to $24 Million /year in reliability benefits and reduced congestion (Seattle City Light)
- Reconsider Northern Intertie upgrades (Powerex)

BPA realizes that the network congestion in the Puget Sound area continues to be a challenge for all parties involved. We believe the plan of service developed as part of the cluster study would meet the needs of the NOS service requests, but that plan of service by itself would not relieve congestion in the Puget Sound area. BPA will provide opportunities for customers to participate in future NOS offerings. We will reconsider Monroe–Echo Lake and possibly other upgrades and associated congestion relief benefits in future NOS efforts. BPA will continue to work in existing forums with customers in the Puget Sound area to achieve a long- term solution to congestion problems in that area.

Projects at Embedded Cost:

- Provide additional information about rational for determining which projects move forward at embedded costs rates (Powerex)

BPA is providing a detailed explanation in a document attached to the letter to customers from Steve Wright. In addition, a full list of criteria was presented to customers at the January 15, 2009 NOS customer meeting and is as follows:

- *Business/Finance:*
  - *Cost effective using Net Present Value analysis consistent with the CIFP analysis process and Agency financial assumptions;*
  - *No more than a 2-3% rate impact for the combined expansion facilities over 20 years;*
  - *Results in negligible to low stranded investment risk;*
  - *Consistent with BPA's financial plan, financial targets, rate case assumptions, and treasury payment probability;*
  - *Acceptable impact on future capital adequacy;*
  - *Can be financed using third party lease program;*
  - *No adverse impact on BPA's bond rating;*
  - *Enhanced system operation by reducing reliance on curtailment calculators and RAS;*
  - *Reliability benefits;*
  - *Provides capacity for load growth and future commercial sales;*
  - *Impact to future non-firm revenue;*
  - *Provides enhanced ability for region to meet Renewable Portfolio Standards;*
  - *Provides for wind diversity;*
  - *Provides regional benefits to customers and consumers in the BPA balancing authority and western interconnection.*

- *Legal:*
  - *Consistent with BPA and applicable statutes, BPA Tariff and PTSA terms.*

- *Environment:*
  - *Recommendation minimizes impact on the environment. Decision to construct any facilities is subject to NEPA review;*
  - *Recommendations not in conflict with fish and wildlife goals, energy efficiency goals, renewable resource development, and climate change response policy.*
- *Public Interest:*
  - *Customers, merchants, transmission providers, elected officials, other stakeholders and media perspectives understood and taken into account.*
- *Impacts to BPA people and processes*

Projects at Incremental Cost:

- Provide NPV for projects that we are not moving forward at embedded costs rates (Powerex)
- Dedicate resources to Incremental Rate processes (CEP)

The Net Present Value (NPV) for all projects resulting from the 2008 NOS Cluster Study was delivered at the December 9, 2008 NOS customer meeting and again at the January 15, 2009 NOS customer meeting. For those projects that BPA has determined will not move forward at embedded cost rates, the NPV is as follows:

- *Northern Intertie Reinforcement = $170 million*
- *Harney Area Reinforcement = $213.6 million*
- *LaGrande Reinforcement = approximately $125.5 million*

LaGrande:

- Support the recommendation for projects at embedded costs rates. Appreciates the further assessment of LaGrande path needs and seeking near-term and long-term solutions (PNGC)
- Supports needs assessment for LaGrande upgrades and evaluating all alternatives (RNP)
- Supports effort. Will participate in needs assessment of LaGrande upgrades (NRU)

Thank you for your willingness to collaborate in developing alternatives for this area of reinforcement. Again, BPA has determined that the LaGrande Reinforcement requires additional assessment due to the unique mixture of existing reliability obligations and new market-based requests received during the 2008 NOS. Consequently, BPA will conduct a planning process to develop a more rigorous needs assessment for the Northwest to Idaho connection. This assessment will include, but is not limited to, the following:

- *Requirements for NOS Point-to-Point (PTP) requests.*
- *Assessment of current and future expected Network Transmission (NT) obligations to meet load growth from existing NT resources.*
- *Assessment of needs for expected New Network Load.*
- *Assessment of needs for forecasted New Network Resources.*

Cluster Study:

- Consider economies of scale when sizing upgrades (RNP)

As a part of the Cluster Study, BPA took into consideration the appropriate scope of required facilities to meet the projected current and future demands.

Future Needs:

- Look at future needs more closely to inform future need for capacity (RNP)
- Suggests a longer-term forward look to assess future load growth and benefits in the analysis (Snohomish)
- Expand CIFP analysis to include future non-firm uses, CO2 cost, and variable generator diversity benefits (RNP)

BPA appreciates the suggestions related to more accurate assessment of future load requirements in the Northwest associated with all impacts to how the transmission system currently and might be used. As we conduct subsequent NOS processes, we expect that we will gain additional knowledge from the region for consideration and inclusion in the financial analysis. BPA will continue to welcome additional suggestions or factors for its consideration.

Decision:

- Wants more transparency in decision criteria and rate impacts (CEP)
- One size fits all is unacceptable. Wants special consideration of project benefits (CEP)
- NOS timeline too long – do it quicker (CEP)

The current NOS included a planning process prior to the start of the 2008 NOS where BPA engaged the region for over a year in developing the parameters for the NOS and public review of its Commercial Infrastructure Financing Policy. Throughout the actual NOS process itself, BPA staff consistently shared as much non-customer specific information with stakeholders as possible, updated customers on the status of the 2008 NOS process, and offered opportunity for comment when appropriate.

NOS was designed to allow a regional assessment of the future market and reliability demands against what facilities might be necessary to serve those new demands. Outside of NOS, the Tariff continues to provide for studying and offering transmission service to those requests that may require facilities that warrant consideration on a project by project basis.

Due to the time and resources associated with evaluating, offering PTSAs for, and studying TSRs in the NOS, and in order to ensure appropriate time is allowed for customers to submit requests (and security) for consideration and for BPA to regularly update customers on the status of the process, BPA believes that the current timeline is appropriate. However, BPA will consider any future adjustments that are practical and appropriate for improving the overall process.

2009 NOS and Transition:

- Be clear on how NOS 2009 will build on NOS 2008 requests (Snohomish)
- Be clear about re-evaluation of projects in subsequent open seasons (Powerex)

- Supports periodic, regular NOS process. Extend NOS 2009 closing to end of June, 2009 (NRU)

Comments related to the 2009 NOS or the transition period between 2008 and 2009 NOS have been submitted to the appropriate BPA staff and will be addressed in the public processes held by BPA for both the transition to 2009 NOS and the 2009 NOS process itself.