

## **Exhibit A**

A summary of the features of the Network Open Season.

## Features of BPA's Network Open Season

The two principal features of BPA's Network Open Season (NOS) are:

1. **Periodic (at least annual) cluster studies** to analyze system impacts and new facility requirements on an aggregate basis for long term Point-to-Point (PTP) transmission requests, and requests for Network Integration (NT) service for Network Resources, that are already in the transmission service queue at the start of a window or that apply for service (Eligible Transmission Service Requests or Eligible TSRs) during such window (Application Window), which will be the 31 day period of April 15, 2008, through 5 p.m. PDT on May 15, 2008, for the first NOS.<sup>1</sup> To be included in the Cluster Study, customers with Eligible TSRs must also sign a Precedent Transmission Service Agreement (PTSA) for each Eligible TSR and provide security. BPA's proposed form of PTSA is included as part of the tariff revisions submitted as Exhibit C to this filing.

2. **Customers with Eligible TSRs must sign a Precedent Transmission Service Agreement** within a specified period (which is the period before 5 p.m. PDT on June 16, 2008, for the first NOS) following the close of the Application Window (Open Season Deadline), or prior to the TSR expiration date, whichever is earlier. The PTSA obligates the customer to take service for its Eligible TSR if BPA satisfies the following conditions precedent: (1) BPA determines that it can reasonably provide service for TSRs in the Cluster at embedded cost rates, and (2) if facilities must be built to provide the service, BPA decides, after completion of a BPA-funded NEPA study, to build the facilities.<sup>2</sup> If Customers with Eligible TSRs do not sign and return the PTSA by the Open Season Deadline or prior to the TSR expiration date, whichever is earlier, such Eligible TSRs will be removed from the transmission queue.

Additional details of the NOS process are described below.

(a) **Notice regarding upcoming NOS.** BPA will provide notice to customers that will describe the process, including the timeline, for an upcoming NOS.<sup>3</sup> For the first NOS, the Application Window will be a 31 day period (April 15, 2008, through 5 p.m. PDT on May 15, 2008), and the Eligible TSRs will include only requests for service on BPA's Network segment, not requests on the Southern or Montana Interties. This is because the Interties have features that are not currently amenable to this process, such as joint ownership arrangements that require negotiation between the parties for facility expansion. Further, the pending transmission request queue for service on BPA's Network segment is such that a Network-wide cluster study would be more efficient than a more limited cluster. Under the proposed Cluster Study tariff language, BPA may

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<sup>1</sup> On March 26, 2008, BPA provided notice to its customers of the dates for the first NOS. The notice is available at [http://www.transmission.bpa.gov/business/IssuesPolicySteeringCmttee/documents/NOS\\_Notice\\_3\\_26\\_08.pdf](http://www.transmission.bpa.gov/business/IssuesPolicySteeringCmttee/documents/NOS_Notice_3_26_08.pdf).

<sup>2</sup> BPA is obligated under the National Environmental Policy Act to consider environmental impacts of proposed actions with significant impacts before deciding whether to take such actions. BPA's OATT sections which reflect that obligation are §§ 17.6.2 and 29.6.

<sup>3</sup> See proposed OATT §§ 19.10(i) and 32.6(i).

choose to adopt clusters in subsequent NOS Cluster Studies that cover less than the entire Network or that cover an Intertie.<sup>4</sup> For example, BPA may choose to conduct a NOS for requests that are in electrical proximity<sup>5</sup> or that request service over a path that was the subject of a Tariff Attachment K economic study, including BPA's part of a path that has been studied by a sub-regional or regional planning entity such as ColumbiaGrid or the Transmission Expansion Planning Policy Committee of the Western Electricity Coordinating Council.

**(b) Processing of certain requests with no or *de minimis* ATC impact or for which ATC is available.** TSRs for which Customers have signed PTSAs and that individually have no or *de minimis* impact on ATC, or are for paths for which ATC is or becomes available, will receive service after the Open Season Deadline, and at any time before BPA satisfies the conditions precedent, by BPA signing Exhibit A. TSRs that were in the queue before the start of the Application Window and for which BPA either had ATC to serve the TSR, or the TSR had no or *de minimis* impact on ATC, will be offered a PTSA but will not be subject to provide security.

**(c) Applications submitted after the Application Window closes.** Applications made after the Application Window closes will be processed as individual requests, and, if they have not received service offers by the next applicable NOS, will be included in such NOS.

**(d) Exhibit A to the PTSA.** Exhibit A to the PTSA is in conformance with Exhibit A to the *pro forma* PTP or NT service agreements and includes the service specifications for the TSR. Exhibit A also includes the following provisions that are changes from the existing *pro forma* tariff: (1) an option to extend the original term of the TSR without changing queue position and without OATT section 2.2 competition, (2) an option to specify an amount of partial interim service that the Customer is willing to take, or to decline any partial interim service without loss of queue position, and (3) a provision limiting rollover rights pursuant to OATT section 2.2 to service durations of at least five years. The Customer must sign and return the PTSA and the attached Exhibit A by the Open Season Deadline or by the date the TSR would expire, whichever is earlier. (fn cite PTSA section) BPA will sign the PTSAs when they are offered, but will not sign Exhibit A until BPA either provides full or partial interim service or conditional firm service or satisfies the conditions precedent. PTSA customers will be obligated to conform their TSRs to the service that is finally provided. If the Customer agreed in Exhibit A to accept partial interim service, and BPA signs the Exhibit A to provide such partial interim service, the Eligible TSR would remain subject to the PTSA for the rest of its demand.

**(e) Customer Obligation to Provide Security.** Customers with Eligible TSRs who sign PTSAs will be obligated to provide Security in an amount equal to the charge for 12 months of transmission service using the rate for long term firm PTP or NT service, as applicable, in effect at the time of the Open Season Deadline. For NT

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<sup>4</sup> See Proposed OATT §§ 19.10(i) and 32.6(i).

<sup>5</sup> See, e.g., *California Independent System Operator Corporation*, 118 FERC ¶61,226 (2007).

Transmission Service for new Network Resources, the Security amount will not be required if the Customer signs a declaration as specified in section 29.2(viii) of the Commission's Order 890 Tariff.<sup>6</sup> The Security may be in the form of a letter of credit, payment into an escrow account set up by the Customer, or a cash payment that BPA will hold without accruing interest. If BPA signs Exhibit A for full or partial firm or conditional firm service at any time, then the Customer's Security obligation will be reduced in proportion to the amount of demand receiving such service.<sup>7</sup> If the Customer materially breaches the PTSA, the Customer will forfeit its Security to BPA, and BPA may pursue additional remedies.<sup>8</sup> The Security helps provide BPA some assurance that the Customer will carry out its obligations under the PTSA. Although a lesser amount than security required under OATT §§ 19.4 and 32.4, it provides a similar function.

(f) **Re-stack of queue after Open Season Deadline.** As soon as practicable after the Open Season Deadline, BPA will re-stack the queue in first-come, first-served order with the remaining Eligible TSRs for which PTSAs were signed and security received. To the extent that ATC has been freed up by the Declining of Eligible TSRs for which PTSAs were not signed, BPA will sign Exhibit As of such remaining Eligible TSRs, in queue order, for full or partial interim service.<sup>9</sup> If the Commission has not accepted this filing by June 16, 2008, BPA may delay the Declining of Eligible TSRs that did not sign PTSAs, and the re-stack, until the Commission accepts the filing.<sup>10</sup> In addition, the PTSA includes a "regulatory out" clause in the event the Commission either disapproves the filing or imposes conditions BPA or a Customer finds unacceptable.<sup>11</sup>

(g) **Completion of NOS Cluster Studies.** BPA will use due diligence to complete Cluster Studies within 120 days after the Open Season Deadline or provide notification of any delay and the reason for the delay.<sup>12</sup> Even if BPA completes the Cluster Study later than 120 days after the Open Season Deadline, the Customer will remain obligated under the PTSA unless BPA fails to satisfy the conditions precedent. BPA will produce a study report that analyzes system impacts and needed facilities, and thus the Cluster Study will replace the SIS and SFS under the Tariff. BPA will absorb the cost of the Cluster Study done for a NOS.

(h) **Results of Cluster Study.** Based on all the requests in the NOS Cluster Study, BPA will analyze whether it can satisfy the conditions for each PTSA in the Cluster. For example, if TSRs under all but one PTSA in the Cluster need the same new facilities and BPA determines that it can reasonably provide service at embedded cost rates for all but that one PTSA, then BPA will process that one TSR in its re-stacked queue order in accordance with the Tariff's provisions for individual requests, with the expectation that BPA would offer service to that Customer at an incremental cost rate unless a subsequent Cluster Study pursuant to an NOS or otherwise resulted in service at

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<sup>6</sup> Proposed OATT revisions, section 32.6(iii).

<sup>7</sup> PTSA, section 7(a).

<sup>8</sup> PTSA, section 7(b).

<sup>9</sup> PTSA, sections 4(b) and 4(c).

<sup>10</sup> PTSA, section 1.

<sup>11</sup> PTSA, section 10.

<sup>12</sup> Proposed Tariff revisions, sections 19.10(i) and 32.6(i).

embedded cost rates. The other TSRs, which remain in the Cluster, would continue to be processed under the PTSA to receive service at embedded cost rates if BPA decides to build after completing its NEPA analysis.

(i) **Embedded cost rate determination.** BPA has engaged its customers and stakeholders in a public process to develop policy guidelines for determining whether BPA may provide service to TSRs in an NOS Cluster Study at embedded cost rates.<sup>13</sup> Under the guidelines, once BPA determines what facilities would be needed to provide service to TSRs that participate in the NOS, and estimates the cost of those facilities, BPA then determines the benefits that would accrue to the integrated network from the facilities and allocates that portion of costs to the network. The remaining costs would be recovered from subscriptions by PTSA Customers. The types of potential benefits of the facilities that would be attributable to the integrated network are discussed in a paper describing the Commercial Infrastructure Financing Proposal developed by a stakeholder workgroup and posted on BPA's website at [http://www.transmission.bpa.gov/business/IssuesPolicySteeringCmttee/documents/Allocating\\_Costs\\_Financing.pdf](http://www.transmission.bpa.gov/business/IssuesPolicySteeringCmttee/documents/Allocating_Costs_Financing.pdf). A spreadsheet demonstrating use of the model to determine potential rate impacts from various subscription levels is posted at [http://www.transmission.bpa.gov/business/IssuesPolicySteeringCmttee/documents/Commercial\\_Infrastructure\\_Model.xls](http://www.transmission.bpa.gov/business/IssuesPolicySteeringCmttee/documents/Commercial_Infrastructure_Model.xls). BPA will apply the approach recommended in the Commercial Infrastructure Financing Proposal to determine whether BPA can reasonably provide service to TSRs in a NOS Cluster Study at embedded cost rates, post the analysis supporting its decision, and notify the PTSA Customers.<sup>14</sup>

Use of this approach provides BPA with flexibility to make a reasonable allocation of reliability and future use benefits to the integrated network that would not have to be recovered from NOS subscriptions. It also entails BPA and its transmission customers assuming some risk that actual facility costs will be reasonably close to the estimates made by BPA. The PTSA enables BPA to make accurate assumptions about actual subscriptions.

(j) **Deadlines for BPA satisfying conditions precedent.** BPA must satisfy the conditions precedent for each PTSA within specified deadlines or the Customer may terminate the PTSA, and, in that case, the TSR would be processed under the Tariff as an individual request.<sup>15</sup> The deadlines that BPA must meet are: (1) within eight months of the close of the Open Season Deadline, BPA must decide that it can reasonably provide service at embedded cost rates; and (2) within 36 months following its determination that it can reasonably provide service at embedded cost rates, BPA must have completed its NEPA process and reached a decision to build the required facilities. BPA believes that these deadlines are a reasonable time to complete its determinations in most cases. There may be facilities that would be routed through urban or scenic areas for which it could take longer to complete the NEPA determination. If BPA expects to miss either of the

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<sup>13</sup> Documentation relating to that process is available at <http://www.transmission.bpa.gov/business/IssuesPolicySteeringCmttee/default.cfm?page=cipt>

<sup>14</sup> PTSA, section 5(c).

<sup>15</sup> PTSA, section 1(b)(2).

deadlines but believes that it may nevertheless satisfy the conditions, BPA will notify PTSA Customers of when it expects to complete its determination for the condition(s), and each Customer will have the option either to terminate its Precedent Transmission Service Agreement or continue until BPA determines whether it can satisfy the condition(s).<sup>16</sup> BPA may satisfy its requirement to meet deadlines by offering conditional firm service, in which case each PTSA customer will not have the right to terminate the PTSA unless BPA ultimately determines it cannot satisfy the conditions.<sup>17</sup> If Customers with TSRs with a sufficient amount of demand decide to proceed, BPA may be able to meet the conditions and may decide to proceed. If not, BPA may decide that it cannot meet the conditions and the PTSAs would then terminate. If BPA fails to satisfy either of the conditions precedent, the Precedent Service Agreement will terminate and the TSR will be processed in accordance with the Tariff for individual requests.<sup>18</sup>

**(k) Construction of facilities and commencement of service.** If BPA determines that it can reasonably provide service at embedded cost rates to participants in a NOS Cluster Study, and determines after a NEPA process to build the facilities, BPA will sign Exhibit A to the PTSA.<sup>19</sup> If facilities are built to provide service to a NOS Cluster, BPA will notify the Customers on a regular basis of construction progress. The actual Service Commencement Date will be the later of the Customer's requested Start Date or the first day of the month that is at least 15 days from the date of commercial operation of the facilities.<sup>20</sup>

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<sup>16</sup> PTSA, section 5(e)(2).

<sup>17</sup> PTSA, section 5(e).

<sup>18</sup> PTSA, sections 1(b)(1) and 5(e)(3).

<sup>19</sup> PTSA, section 5(f).

<sup>20</sup> PTSA, section 6(c).