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notes / comments

re Horizon Wind Energy Comments
on Draft #5 2009 Network Open Season
Precedent Transmission Service Agreement.



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May 7, 2009

RE: Horizon Wind Energy Comments on Draft #5 2009 Network Open Season Precedent Transmission Service Agreement

Following are Horizon Wind Energy's comments on Draft #5 of the '2009 Network Open Season Precedent Transmission Service Agreement'.

1. Security Requirements:

BPA indicated at the April 28th meeting that they will not change the security requirements for participation in the 2009 NOS. We support this decision and thank BPA for listening to our concerns on this point.

2. Competition:

The revised Section 4(f) of the PTSA is very confusing as worded and appears to be contradictory to the intent of the PTSA. As worded, section 4(f)(1) seems to indicate that a Customer may release its reserved capacity if challenged in a competition situation even though it has executed a PTSA. However, Section 4(f)(2) indicates that if "*Bonneville determines that it would be required to release all or part of such Reserved Capacity to satisfy another customer's request for Transmission Service, the Customer shall commence service for the entire Reserved Capacity in the Table concurrent with the Start Date of the other customer's request for Transmission Service.*" BPA further indicated at the April 28th meeting that if any challenger is identified, a customer would be forced to accelerate the start of service to match the start date requested by the challenger. BPA has not provided additional information on this process including what transmission service requests are eligible to be considered challengers or what requirements a challenger must fulfill.

This concept as proposed is not a true competition for two reasons 1) There is no possible way a challenger would be able to acquire capacity, and 2) If the defending customer is forced to start paying for transmission service before they are able to use it, the capacity will remain unscheduled and unused on the system unless BPA chooses to re-market it as non-firm or short-term firm. If BPA chooses to re-market the unscheduled capacity, it will be double-collecting.

This concept as proposed also serves to invalidate a customer's right to defer the commencement of service by requiring them to start paying for service even if they are unable to actually use it. This eliminates a risk-mitigation strategy available to customers who are facing schedule risk on their interconnections. There are a number of generation projects in BPA's interconnection queue which require BPA to build enabling facilities. Under this concept it is possible that BPA would require a generator to take transmission service while delaying their interconnection thus negating the customer's ability to actually use the service BPA would force them to take. Commencement of Service Defferral is the only risk-mitigation tool Customer's have to address the potential mis-alignment of interconnection and transmission service.

This concept is also contrary to the spirit of Open Season. Customers who participate in Open Season and sign PTSAs are providing BPA with significant advance capital in the form of a hefty security deposit, as well as an absolute commitment to take service within a certain window of time (5 years) once service is offered. PTSA holders are First-comers who front risk capital in order to provide BPA the security it needs to move forward with transmission builds. FERC has recognized the appropriateness of allowing superior rights to Anchor-Shippers who front risk capital required to support new infrastructure. BPA's proposed competition concept moves in the opposite direction by *penalizing* first-comers in requiring them to pay for a service they can not use.

For these reasons we recommend that BPA recognize that PTSA holders are making significant commitments to BPA's infrastructure projects and are fronting risk capital and therefore eliminate competitions on transmission service reservations that hold PTSAs.

3. Customer Obligations to provide Information:

It is very likely that most developers will be unable to comply with the proposed revisions to Section 5(a)(2) of the PTSA. This Section would require the Customer to provide "the location of the substation where the generating facility(ies) supplying the capacity and energy associated with the requested service interconnect into the transmission system, and the location of the substation ultimately serving the load associated with the capacity and energy transmitted, or the identification of the resource(s) that will be replaced by the resource associated with the Customer's TSR."

Many of the proposed generation projects' CODs are dependent the energization of new infrastructure projects such as the West of McNary Reinforcements. Many developers are requesting transmission service several years in advance of the anticipated commercial online dates (COD) of their generation projects in order to support the construction of new transmission infrastructure. Securing transmission service also makes the project more commercially attractive as the developer can guarantee delivery.

However, most developers do not know who their final offtaker is until just prior to the commencement of construction and will be unable to provide the requested information on the

load they will be serving or if the offtaker is intending to displace other generation they control until a Power Offtake Agreement has been negotiated.

This situation makes it impossible in most cases for a developer-Customer to comply with the revised Section 5(a)(2) of the PTSA. We suggest that BPA eliminate this requirement.

Thank you for considering these comments. If you have any questions or would like clarification on any of the above, please feel free to contact me directly at 503-222-9400x522.

Regards,



Hilary Foote
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Horizon Wind Energy