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Climate Solutions
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Columbia Gorge
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Energy Association
E.ON Climate & Renewables
EDF Renewable Energy
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Element Power
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Port of Vancouver, USA
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August 24, 2012

VIA EMAIL SUBMISSION

TO: BPA Tech Forum and BPA NOS Team

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RE: Comments on the August 16, 2012 Network Open Season Reform
Workshop

In general, RNP appreciates the changes BPA staff has made to the initial Network Open Season (NOS) reform proposal. We believe these changes are moving in the right direction and are improving the proposal significantly. Below are our comments on the revised NOS proposal.

Network Open Season Restart Timeline:

The proposed "Network Open Season Restart Timeline" is sobering. We believe that it is critical to get the NOS process up and running again by the June 2013 date. We are confident that BPA and the region can make the necessary process changes to the NOS under this proposed timeline, but we are concerned that solving the larger financial issues related to financing new transmission lines may take longer. The first new NOS should move forward on the proposed timeline, recognizing that it will be easier to succeed in providing available transmission service with existing infrastructure than it will be to finance major new transmission upgrades.

Running NOS on a regular cycle and specifying customer interest and the associated transmission needs provides value to the region, even while we continue to work on the larger financial issues. We urge BPA to incorporate or plan for some degree of flexibility as NOS is first reinstated and customers gain experience with the new NOS process under these changing economic and market conditions. Any filings with the Federal Energy Regulatory Commission should consider this state of flux.

NOS Timeline and Procedural Changes:

We generally support the proposed modifications to the NOS timeline and procedural steps. Specifically, we appreciate that BPA will offer a "PTSA or BPA Commitment" much earlier in the process and that BPA has eliminated one of the customer "ripcords." We believe these changes will decrease the problem of revolving dropouts and restudies for BPA and will give customers more timely contractual rights upon which to move forward with project development.

Related to these same timeline and ripcord structures, we are interested in exploring the pros and cons of flipping the order of the PTSA execution phase and the Preliminary Engineering and NEPA Scope. Under this modified structure, BPA would conduct the 1-3 month Preliminary Financial Analysis immediately after the cluster study and then offer customers a choice between signing the PTSA or pulling the first ripcord. BPA would then conduct any necessary restudies and commence with the engineering and NEPA work as soon as possible.

At any point in the engineering and NEPA work, if it becomes clear that there is a potential significant increase in expected cost or a significant delay of the energization date, BPA can revisit the cost and timing estimates with customers immediately and under the guidelines outlined in the PTSA. BPA can consult with the relevant customers on potential mitigation strategies and interest in proceeding. If the changes are not acceptable to a customer, then the customer can exercise its last ripcord (consistent with the final ripcord pictured in BPA's process diagram). If necessary, BPA can conduct a restudy and make the determination as to whether to proceed with construction. This approach could potentially get the engineering and NEPA work started earlier, without a "preliminary phase," and still preserves the needed flexibility, should unforeseen events arise.

NOS Customer Financial Commitment Issues:

RNP understands that BPA is facing limited borrowing authority, but we do not believe that customer financing of transmission projects is an approach that is likely to succeed under current market conditions. We believe that BPA should update its creditworthiness policies to ensure that long-term customer commitments to take service act as sufficient financial backing. BPA should then maximize third-party financing availability and all other borrowing options, and as a last resort, consult with customers about financing any remaining costs. Given that the timeline for starting the next NOS is likely earlier than resolving all of the agency's borrowing issues, it may be worth considering whether the more flexible structure outlined above could be specified in the PTSA.

BPA has asked, "should customers provide financing for NOS projects?" Given the current market and economic conditions, the question from our perspective is "can customers provide financing for NOS projects?" For our renewable energy developer members, we believe the current answer is "No." Ultimately, RNP supports a solution to the financing issues that results in the most efficient procurement of capital for the region. It is hard to imagine that requiring several smaller developer and utility customers to individually finance their portion of a transmission upgrade will result in a cheaper total cost of capital than if BPA was to pool all customer commitments and leverage those commitments and BPA's balance sheet to secure the best available financing options for the region.

We agree with the concept of BPA focusing on financing the "reliability portion" of an upgrade. This strikes us as a minimum starting point for BPA's funding requirements. Our members prefer securitization over advanced funding. If customers were required to finance construction, we would expect that customers would be provided transmission credits or some other form of future compensation.

With respect to the tiered criteria for creditworthiness and financial commitments proposed by BPA, we believe that BPA should focus on basing a customer's funding requirements on the financial risk of the customer. Of all the potential criteria proposed by BPA, the "market assessment of request" strikes us as subjective and puts BPA in the difficult position of

choosing winners and losers. Based on our understanding, we believe the “executed PPA” criteria would likely be considered to be discriminatory. In addition, we view “limitations on deferral rights” as a significant departure from the pro forma OATT and a significant disincentive to participate in the NOS. As such, we don’t think these would make good criteria for tiered customer commitments. For the remaining criteria, “customer’s commitment to advance fund construction” and “TSR term length,” we are unclear how these concepts would be applied and require more information before we form an opinion.

Thank you for the opportunity to comment.

/s/ Cameron Yourkowski
Senior Policy Manager