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FEDERAL ENERGY  
REGULATORY COMMISSION

May 20, 2010

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 1st Street, N.E.  
Washington, D.C. 20426

Re: Open Season Report for Zephyr Power Transmission, LLC  
Docket No. ER09-433-000

Dear Ms. Bose:

Zephyr Power Transmission, LLC (Zephyr), pursuant to the February 19, 2009 order issued in the above-referenced proceeding by the Federal Energy Regulatory Commission (Commission), respectfully submits the attached open season report prepared by an independent evaluator, Boston Pacific Company, Inc. (Boston Pacific).<sup>1</sup>

Zephyr is developing a 1,100 mile, 500 kV, high voltage, direct current transmission line that will originate near Medicine Bow, Wyoming, and terminate south of Las Vegas, Nevada in the Eldorado Valley. The proposed transmission line will be able to deliver approximately 3,000 MW of new renewable generation to the southwestern United States. On February 19, 2009, the Commission authorized Zephyr to sell transmission rights at negotiated rates subject to certain conditions, including filing "a report of the open season results with the Commission within 30 days of the close open season."<sup>2</sup>

On April 19, 2010, Zephyr filed an interim open season report and a requested permission to file the final report by May 31, 2010. Boston Pacific's "final" open season report describes the "market-driven, fair, transparent and non-discriminatory open season process between October 13, 2009 and March 10, 2010 that resulted in the successful allocation of all 3000 MW of initial transmission rights being offered."

<sup>1</sup> *Chinook Power Transmission, LLC and Zephyr Power Transmission, LLC*, Docket No. ER09-432-000, *et al.*, 126 FERC ¶ 61,134 (2009) (February 19 Order).

<sup>2</sup> *Id.* at p. 61,771 (Ordering Paragraph "B"). The February 19 Order also granted negotiated rate authorization to Chinook Power Transmission, LLC, which is still conducting an open season process. Chinook's open report will be filed after the close of the open season.

Ms. Kimberly D. Bose, Secretary  
May 20, 2010  
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Respectfully submitted,

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Steven A. Weiler  
Counsel for Zephyr Power Transmission, LLC

Enclosures

cc: All Parties

6904624

**REPORT ON THE OPEN SEASON FOR  
ZEPHYR POWER TRANSMISSION LLC**

**PRESENTED TO**

**THE FEDERAL ENERGY REGULATORY COMMISSION**

**by**

**BOSTON PACIFIC COMPANY, INC.  
AS THE INDEPENDENT EVALUATOR**

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**May 20, 2010**

**BOSTON PACIFIC COMPANY, INC.**

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- B. Sample of Published News about the Open Season**
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- D. Public Version of the Open Season Notice**
- E. Agenda for Bidder Conference**
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## **I. INTRODUCTION AND SUMMARY**

### **A. Background**

Zephyr Power Transmission LLC (Zephyr) proposes to construct a 1,100 mile, 500 kV, high voltage, direct current transmission line that will originate near Medicine Bow, Wyoming, and terminate south of Las Vegas, Nevada in the Eldorado Valley. The proposed transmission line, which is targeted to be in service in late 2015/early 2016, will be able to deliver approximately 3,000 MW of generation to the southwestern United States. Zephyr will undertake construction as merchant transmission developer and will assume full market and regulatory risk for the project. Zephyr is a limited liability company and a wholly-owned subsidiary of NorthernLights Transmission Inc., which is a wholly-owned, indirect subsidiary of TransCanada Corporation (TransCanada).

On February 19, 2009 the Commission issued an Order that authorized Zephyr to sell transmission rights at negotiated rates subject to certain conditions.<sup>1</sup> The Order authorized Zephyr to allocate 50% of the transmission capacity to an anchor customer and to allocate the remaining capacity pursuant to the terms of an open season. To this effect Zephyr conducted negotiations with a potential anchor customer; however, it was not able to reach an agreement by the start date of the open season. Therefore Zephyr chose to solicit 3,000 MW, the full amount of transmission capacity, through this open season and to use the Precedent Agreement that had been negotiated with the prospective anchor customer as the basis for the one that all parties would execute in response to the open season.

In addition to Zephyr, the Commission's Order gave similar authority to sell transmission rights at negotiated rates to the Chinook Power Transmission, LLC (Chinook) project, a second 3,000 MW transmission line being proposed by TransCanada. Chinook's open season is not yet complete and the results will be provided in a separate open season report.

### **B. Summary**

Zephyr conducted a market-driven, fair, transparent and non-discriminatory open season process between October 13, 2009 and March 10, 2010 that resulted in the successful allocation of all 3,000 MW of initial transmission rights being offered. Transmission rights were allocated to three winners: Pathfinder Renewable Wind Energy, LLC was allocated 2,100 MW for a 25-year term; BP Wind Energy North America, Inc. was allocated 500 MW for a 25-year term; and Horizon Wind Energy, LLC was allocated 400 MW for a 20-year term. All three winners plan to develop wind power projects in Wyoming.

Zephyr's open season was widely publicized through a media advisory that was distributed to the major news outlets, through advertisements in newspapers that circulate near the project, and through inserts in energy publications such as Megawatt Daily. In addition,

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<sup>1</sup> See FERC Order, *Order Authorizing Proposals and Granting Waivers*, Docket Nos. ER09-432-000 and ER09-433-000, Issued February 19, 2009 ("FERC February 19, 2009 Order").

those parties that had earlier responded to Zephyr's 2008 solicitation for expression of interest on the project, as well as those parties that expressed an interest after the 2008 solicitation and before the open season, were invited to participate. As a result seventy<sup>2</sup> companies executed confidentiality agreements and thirty-two participated in the bidder conference that was held in Las Vegas on October 14, 2009. The open season provided these interested parties ample information on the proposed Zephyr transmission project, enough time to review this information, and a number of venues through which to ask questions as they assessed the benefits and risks of the project. In addition, interested parties were given the opportunity to provide comments to the proposed Precedent Agreement prior to bid submission. Based on a review of these comments Zephyr issued an amended Precedent Agreement.

Boston Pacific was engaged as Independent Evaluator for the open season and actively participated in the design of key open season processes, such as the bid evaluation and capacity allocation methodology, and documents. Once the open season started and prior to the bid submission deadline, Boston Pacific monitored communications with potential bidders, TransCanada's determinations about bidder's creditworthiness, and the process by which Zephyr reviewed proposed changes to the Precedent Agreement submitted by potential bidders. In addition, Boston Pacific attended Zephyr's bidder conference and presented to potential bidders a description of the bid evaluation and capacity allocation methodology. On Bid Day Boston Pacific monitored, in-person, the receipt of bids in Calgary and physically watched Zephyr receive bids. Boston Pacific then independently evaluated bids and determined capacity allocations following the pre-established methodology.

Boston Pacific concludes that this open season was conducted in a fair, transparent and non-discriminatory manner. This conclusion is reached after verifying that Zephyr fully complied with nine commitments specified in the Commission's Order that serve to ensure that the open season is conducted without undue discrimination. Section III of this report fully describes the manner in which each of these nine commitments was met.

## **II. OPEN SEASON RESULTS**

Four bids from three bidders were received before the bid submission deadline of 4 p.m. Mountain Standard Time on December 16, 2009. All four bids were received in compliance with all of the bid submission requirements described in the open season notice. Following the bid evaluation rules, bids were categorized into one of six tiers. Three of the four bids, totaling 1,600 MW, were categorized as Tier 1 bids and were selected in the initial round. Tier 1 bids are those submitted by creditworthy bidders who did not ask for changes to the Precedent Agreement.<sup>3</sup> One bid for 2,300 MW was deemed to be non-conforming and categorized into Tier 6 because it was submitted with substantial changes to the Precedent Agreement and the quantity of the bid caused the bidder to exceed its creditworthiness threshold. Bidders had been made aware that, under the rules of the open season, bids submitted with substantial changes to the Precedent Agreement would be deemed to be non-conforming. Non-conforming bids would

<sup>2</sup> This represents the total number of Confidentiality Agreements executed by companies with an interest in either the Chinook, Zephyr or both projects.

<sup>3</sup> A full description of the evaluation methodology, including Tier categories, is provided in section III.E

only be considered at Zephyr's discretion should there be remaining unallocated capacity after the initial round and Second Offer Notice.

As specified in the open season rules, Zephyr went back to the parties that had submitted the three bids that were selected in the initial round and offered them the opportunity to acquire, through a Second Offer Notice, an additional pro rata portion of the 1,400 MW of remaining available capacity. During this round bidders could also express their interest in acquiring more than their pro rata share. To this effect a letter was sent to each of these three bidders on December 18, 2009 stating: a) the amount of capacity won in the initial round, b) the pro rata share of the 1,400 MW remaining capacity that they could opt to acquire, and c) bid submission instructions. None of these three companies chose to submit bids by the January 13, 2010 deadline of the Second Offer Notice.

Subsequently, Zephyr chose to negotiate with Pathfinder Renewable Wind Energy, LLC (Pathfinder), who had submitted the non-conforming Tier 6 bid, to determine if an acceptable Precedent Agreement could be negotiated between the parties. Pathfinder and Zephyr were able to successfully negotiate revisions to the Precedent Agreement that were acceptable to both parties. Per the open season rules, the revised Precedent Agreement was resubmitted to the original conforming bidders for their concurrence and all parties agreed to sign the revised Precedent Agreement. As a result there was full subscription of the 3,000 MW that were offered. Importantly, all parties executed identical Precedent Agreements, with the exception of the company-specific information in each Precedent Agreement.

Table One summarizes the results of the open season. We note that bidders were not required to submit a bid price for this open season since the illustrative rates to be used in the evaluation formula were pre-determined and communicated to bidders prior to bid day. Bidders were provided an applicable illustrative rate for bids with 20 year terms and a slightly lower rate for bids with longer terms. The illustrative rates represented a current estimation of the rates that would be applicable at the time of commercial operation to cover the anticipated construction costs of the project.<sup>4</sup>

**Table One  
Open Season Results**

Company	Capacity	Term
BP Wind Energy North America, Inc.	500 MW	25 years
Pathfinder Renewable Wind Energy, LLC	2,100 MW	25 years
Horizon Wind Energy, LLC	400 MW	20 years

<sup>4</sup> The illustrative rates for the transmission service are proprietary and confidential. Upon request from the Commission, Zephyr will file them under seal.

### III. ASSESSMENT OF THE OPEN SEASON'S FAIRNESS, TRANSPARENCY AND NON DISCRIMINATORY NATURE

In the Commission's Order that authorized Zephyr to sell transmission rights at negotiated rates the Commission states that its analysis for granting merchant transmission owners negotiated rate authority focuses on four areas of concern: (1) the justness and reasonableness of rates, (2) the potential for undue discrimination, (3) the potential for undue preference, including affiliate preference, and (4) regional reliability and operational efficiency requirements.<sup>5</sup>

The second of these areas is primarily addressed by the Commission's review of the terms and conditions of a merchant transmission developer's open season and by its OATT commitments. The Commission states that the open season reporting requirement and the process by which parties are afforded an opportunity to file complaints are the primary tools by which the Commission ensures that merchant transmission developers do not unduly discriminate.<sup>6</sup> Specifically, in its analysis of Zephyr's Application the Commission states that granting negotiated rate authority to Zephyr should not lead to undue discrimination conditioned on Zephyr abiding by certain commitments made and by filing a non-discriminatory OATT.<sup>7</sup> This section of the report summarizes those nine commitments and assesses how each of these was fully met by Zephyr's open season process.

#### A. Zephyr retained an independent third party to evaluate and rank the bids<sup>8</sup>

Boston Pacific was engaged in May 2009 as the Independent Evaluator for Zephyr's open season. Boston Pacific is an industry leader in providing effective, credible and independent market and procurement monitoring to State Commissions and utilities across the country. In total, Boston Pacific has monitored or managed the procurement of more than 100,000 MW of electric capacity and energy supply resulting in billions of dollars of successful purchases.<sup>9</sup>

<sup>5</sup> See FERC February 19, 2009 Order at paragraph 37.

<sup>6</sup> See FERC February 19, 2009 Order at paragraph 41.

<sup>7</sup> See FERC February 19, 2009 Order at paragraph 63.

<sup>8</sup> See FERC February 19, 2009 Order at paragraph 16.

<sup>9</sup> By way of background, Boston Pacific is an energy consulting firm based in Washington DC that specializes in the electricity and natural gas businesses. Boston Pacific is an industry leader in providing effective, credible and independent market and procurement monitoring to State Commissions and utilities across the country. Our monitoring experience includes monitoring most of the major full requirements solicitations in the country, including our engagements for (a) New Jersey's 2007 through 2010 Basic Generation Service Auctions, (b) Illinois' 2006 Auction and 2008 through 2010 energy, capacity and REC RFPs (c) the 2005 through 2010 Standard Offer Service (SOS) RFPs for the District of Columbia, (d) Delaware's 2007 through 2010 SOS RFPs, (e) Maryland's SOS RFPs in 2004, 2005, 2006 and 2010 for all four utilities, (f) Ohio's Auction in 2009 for First Energy's service territory, and (g) Pennsylvania's Auction in 2009 for Allegheny Power's service territory. We have monitored or are currently monitoring over 100,000 MW of full requirements procurements in total. Additionally, we design and monitor unit-contingent procurement processes, which solicit bids for long-term contracts from individual power plants and other resources; examples include our current engagement in Oregon, and our recent engagement in Oklahoma and the Virgin Islands. Boston Pacific also has served since 2004 as Advisor to the Board of Directors for the Southwest Power Pool Regional Transmission Organization.

Prior to the start of the open season, Boston Pacific actively participated in the design of key areas of the open season such as the bid evaluation and capacity allocation methodology. In addition, Boston Pacific reviewed the main open season documents prior to them becoming available to interested parties.

Once the open season started and prior to the bid submission deadline, Boston Pacific monitored communications with potential bidders, TransCanada's determinations about bidder's creditworthiness, and the process by which Zephyr reviewed proposed changes to the Precedent Agreement submitted by potential bidders. Monitoring communications with potential bidders was accomplished by attending the bidder conference, ensuring that all answers provided by Zephyr to bidders' questions were shared with all bidders, reviewing all project documents, e-mail, letters, press releases, and newsletters sent to potential bidders, participating in conference calls held with potential bidders, and frequently monitoring the contents of Zephyr's website. To monitor TransCanada's creditworthiness determinations Boston Pacific independently calculated tangible net worth and obtained credit ratings that were assigned by external rating agencies. We then compared our results and agreed with TransCanada's determinations for each bidder. For those bidders that did not have a credit rating assigned by an external rating agency, TransCanada assigned a rating by utilizing Moody's rating methodology for unregulated utilities and power companies.<sup>10</sup> Boston Pacific ensured that TransCanada correctly followed the guidelines provided under this methodology when arriving at a credit rating for these potential bidders.

On Bid Day Boston Pacific monitored, in-person, the receipt of bids in Calgary and physically watched Zephyr receive four bids, check these bids, and confirm receipt of bids with bidders. Boston Pacific then independently evaluated conforming bids following a pre-established evaluation methodology to determine the initial capacity allocation.

After Bid Day Boston Pacific monitored the Second Offer Notice process and ultimately, after Zephyr had negotiated an agreement with the party who had bid the non-conforming bid, the final amount of transmission capacity to be allocated to each party upon the execution of a Precedent Agreement.

#### **B. Zephyr held an open season for a substantial amount of transmission capacity<sup>11</sup>**

The Commission's Order authorized Zephyr to sell transmission rights at negotiated rates by allocating 50% of the initial capacity (1,500 MW) to an anchor customer and by holding an open season for the remaining 50% of initial capacity. As a result, Zephyr conducted arm's length negotiations with a prospective wind generation anchor customer to pre-subscribe 1,500 MW of capacity. The prospective anchor customer advised Zephyr that they were not in a position to execute the anchor shipper precedent agreement in advance of the commencement of the open seasons. Zephyr was unwilling to accept any further delay of the open season and decided to make the full 3,000 MW of capacity available to all potential bidders in the open

<sup>10</sup> See August 2009, Rating Methodology, Unregulated Utilities and Power Companies, Moody's Global-Infrastructure Finance.

<sup>11</sup> See FERC February 19, 2009 Order at paragraph 60.

season. In doing so, Zephyr exceeded its commitment to hold the open season for a substantial amount of transmission capacity.

**C. Zephyr made public announcements in appropriate trade publications in advance of holding the open season<sup>12</sup>**

On September 22, 2009 TransCanada issued a media advisory announcing that it would commence an open season for the Zephyr project on October 13, 2009. The media advisory accomplished the following: a) provided a description of the Zephyr project, b) indicated that a bidder conference would be held on October 14, 2009, c) advised interested parties that a confidentiality agreement was necessary to participate in the bidder conference and open season and provided instructions on how to complete one, and d) provided interested parties with a web address where more information could be obtained. The media advisory, a copy of which is included as Attachment A, was issued by Marketwire, a company specializing in press release distribution to newspapers, broadcast outlets, newswires, websites, financial terminals, databases and trade publications across North America. In addition, a copy of the media advisory was posted to the project's web site.

Some of the publications that published a story announcing the open season were the Associated Press, Billings Gazette, Calgary Herald, Power Engineering International, ReCharge News and Megawatt Daily. Some of these are found in Attachment B.

To supplement the media advisory, on October 4, 2009, advertisements to announce the open seasons were placed in the following newspapers that are in general circulation near the projects in the states of Montana, Wyoming, and Nevada: a) Casper Star Tribune, b) Wyoming Tribune Eagle, c) Billings Gazette, d) Great Falls Tribune, e) Las Vegas Review Journal, and f) Reno Gazette Journal.

In addition, to help increase awareness among the transmission industry, one-quarter page inserts were placed in Megawatt Daily from October 6-8, 2009. Megawatt Daily is one of the most widely-viewed publications in the energy industry and reaches industry leaders and operators across the spectrum of energy and power companies. A copy of the advertisement is found in Attachment C.

Finally, to continue to maintain awareness by industry and interested stakeholders during the open season, interviews were conducted by the Zephyr Project Director, John Dunn, in December 2009 with the Associated Press, Billings Gazette, Electric Power Daily, ReCharge News, and ReNews Americas.

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<sup>12</sup> See FERC February 19, 2009 Order at paragraph 15.

**D. Zephyr posted on a website the specific rules of the open season, detailed bidding guidelines, the respective pro forma OATT, estimated rates, and the precedent agreement and forwarded these to all parties that previously expressed interest in the project or submitted a non-binding expression of interest<sup>13</sup>**

The primary method for disseminating information on the Zephyr open season was through a website that was enabled to provide document and information sharing. We refer to this as a sharepoint website. Aside from the sharepoint website, other communication methods included: a) bidder conference, b) one-on-one meetings, and c) regular open season email updates to prospective bidders. Additional detail on each of these communication methods is provided below.

**a) Website**

TransCanada maintains a website for the Zephyr and Chinook projects on the public TransCanada website. For purposes of the open season, a sharepoint website was developed to provide confidential project documents. Access to the sharepoint website was provided to potential bidders upon execution of a confidentiality agreement. In total, seventy companies executed confidentiality agreements and were provided passwords to be able to access the sharepoint website. This included those parties that had previously expressed interest in the project or submitted non-binding expressions of interest, who were notified via e-mail about the open season.<sup>14</sup>

By the start of the open season, the sharepoint website contained all of the documents specified by the Commission, including: a) the specific rules of the open season and detailed bidding guidelines, including the evaluation methodology, which were summarized in the Open Season Notice<sup>15</sup>, b) the pro forma OATT, and c) the estimated rates, which were specified in the Precedent Agreement. Beyond these, other documents available through the sharepoint website included: a) a document that was periodically updated with questions and answers about the project, b) the presentations that were shown in the bidder conference, c) the Confidential Information Memorandum, d) credit related documents (bidder creditworthiness procedures, bid deposit notification and certification form, description of credit requirement timelines, and bid deposit comfort letter), e) management update letters, f) the bid submission form, and g) letters of support from Governors of states through which Zephyr will pass.

For those that had not signed a Confidentiality Agreement, the non-secure portion of TransCanada's website provided an overview of the project and of the open season process so that parties would have sufficient information to be able to make a decision about participating. Specifically, the non-secure portion of the website included: a) a high level description of the project, b) a public version of the open season notice that is included as Attachment D, c)

<sup>13</sup> See FERC February 19, 2009 Order at paragraph 15.

<sup>14</sup> For background, in August of 2008 Zephyr solicited and received non-binding expressions of interest for service on the Project from a number of potential customers. Zephyr provided indicative rates to these interested parties and offered them an opportunity to perform due diligence on the project. Zephyr then entered into serious discussions with a few of these who met certain requirements that were deemed necessary to become an Anchor Customer.

<sup>15</sup> Zephyr Power Transmission LLC – Binding Open Season Notice and Bidding Instructions for New Transmission Capacity from Wyoming to Nevada.

quarterly newsletters on the status of the project and open season process,<sup>16</sup> and d) contact information for the person responsible for Zephyr's open season.

#### **b) The Bidder Conference**

Zephyr hosted a bidder conference in Las Vegas on October 14, 2009. The bidder conference was also made available to interested parties via webcast for those that were unable to attend in person. Thirty-two participants from twenty-three companies attended the bidder conference in person and nine companies participated through the webcast. Presentations were made in the morning on the following topics: a) project overview, b) transmission line design and technical considerations, c) commercial considerations, d) credit requirements for bidding, e) overview of the open season process, and f) activities to be performed during the regulatory phase regarding permitting, government and stakeholder relations, and from a technical perspective. Boston Pacific also presented a description of the bid evaluation and capacity allocation methodology.

During the afternoon, potential bidders in Las Vegas had the opportunity to meet with Zephyr representatives through round table discussions on the following topics: a) credit, b) commercial, c) technical, d) permitting/stakeholder relations, e) rates, and f) open season process. All questions were recorded and responses were posted for all parties to access on the sharepoint website following the conference. The agenda from the bidder conference is attached as Attachment E.

All participants were provided with a detailed Confidential Information Memorandum (CIM) at the conference, which was also posted the evening prior to the conference on the sharepoint website. The CIM provided participants with all of the information on the Zephyr Project, including a description of the proposed project, the commercial terms of the Precedent Agreement, a description of the open season including bid and credit requirements, cost estimates and illustrative rates, project economics and risks, regulatory phase activities, the project budget, a draft OATT, and a draft of the Precedent Agreement that parties would be expected to sign as part of the bid package. These materials were discussed in detail during the bidder conference and all presentations were posted on the sharepoint website following the conference.

#### **c) One-on-one meetings**

Optional one-on-one meetings were held with six companies on November 18 and 19, 2009 in Denver. In addition, individual conference calls were held with at least seven companies over the course of the open season. These meetings provided each company an opportunity to discuss, in detail, the Zephyr Precedent Agreement, pose questions, and provide any other feedback the companies had to the Zephyr project team. Questions posed during these meetings were summarized and posted on Zephyr's website. Zephyr utilized feedback from the meetings and conference calls to revise the final Precedent Agreement that was sent to all parties on November 20, 2009, as specified in the schedule.

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<sup>16</sup> Newsletters were posted on summer 2009, September 2009, December 2009.

In addition, several potential bidders directly contacted TransCanada's project team members who were responsible for credit determinations to discuss credit requirements. These discussions were also summarized and posted on the sharepoint website.

**d) E-mail distribution list**

Zephyr maintained an e-mail distribution list with all parties that had signed a confidentiality agreement and regularly provided project updates and relevant information necessary to participate in the open season. For example, those on the distribution list received project status update letters and reminders about credit and other submission deadlines. These e-mail distributions were an important method of communicating information about the Zephyr project, and ensured that significant information was provided to all potential bidders in a timely and consistent manner.

**E. Bids were evaluated and ranked based on the greatest total net present value to Zephyr, including the economic impact of any proposed changes to the standard form precedent agreement<sup>17</sup>**

Boston Pacific performed an independent bid evaluation and allocation of transmission capacity following an evaluation methodology that was developed prior to the receipt of bids and which was described in detail to potential bidders in the Open Season Notice. In following that process, bids were first categorized into one of six tiers based on (a) the level of conformance to the standardized Precedent Agreement and (b) the creditworthiness of the bidder. In order to be considered creditworthy a bidder had to meet two conditions: a) have an investment grade, and b) four percent of its tangible net worth had to be greater than the estimated annual contractual obligations for Zephyr. A description of the six tiers can be seen in Table Two below.

**Table Two  
Tier Description**

Tier Number	Description
1	Creditworthy bidders; with no changes to the Precedent Agreement
2	Creditworthy bidders; with no material changes to the Precedent Agreement
3	Non-creditworthy bidders; with no changes to the Precedent Agreement
4	Non-creditworthy bidders; with no material changes to the Precedent Agreement
5	Creditworthy bidders; with material changes to the Precedent Agreement
6	Non-creditworthy bidders; with material changes to the Precedent Agreement

<sup>17</sup> See FERC February 19, 2009 Order at paragraph 16.

Within each tier, bids were ranked according to a Total Score that was assigned based on the sum of price and non-price scores. The maximum score for a bid was 100 points, with a potential of 90 coming from the price evaluation and a potential of 10 coming from the non-price evaluation.

The price score for each bid was determined by calculating the expected net present value of revenue per MW using the following pre-established formula:

$$\text{Net Present Value} = (\text{Monthly Rate} * 12) * \frac{(1 - \text{Probability of Default}) * (1 + i)^n - 1}{i * (1 + i)^n}$$

The Monthly Rate was predetermined and communicated to bidders prior to bid day and was slightly higher for 20 year bids than for 25, 30, 35, 40 year bids. As indicated earlier, bidders did not submit a bid price with their bids. The Probability of Default represented the likelihood that any given bidder with certain credit rating would default during the term of the contract. These probabilities were defined and reviewed by Boston Pacific prior to bid submission and were based on Standard and Poor's 2008 cumulative default table for the United States and Canada. The bid evaluation formula also included Zephyr estimated after-tax weighted-average cost of capital or ATWACC discount rate (represented by the variable  $i$ ) and the bid term in years (represented by the variable  $n$ ). It is noteworthy that the amount of capacity sought by each bidder was not a factor in the evaluation formula, thus equal treatment was given to smaller-sized bids than to larger-sized bids.

The bid with the highest net present value was awarded the full 90 points. Those with a lower net present values were awarded points in proportion to their present value of expected revenue as a percentage of the highest ranked bidder. For example, if a bidder had 70 percent of the present value of the highest ranked bidder, it would have been awarded 63 points (70 percent times 90).

The non-price score was based on whether the underlying energy source was a renewable energy project. The bidder had to demonstrate that its energy source was either a renewable energy project or would otherwise not adversely contribute to climate change, consistent with each of the following:

- o The goals of the *Energy Policy Act of 2005* to promote the diversity of energy supply and decrease the environmental impact of the energy-related activities;
- o The *American Recovery and Investment Act of 2009* and its promotion of renewable energy and related transmission projects;
- o FERC's recognition that issues surrounding climate change and renewable energy are emerging as drivers for energy policy; and
- o Western states' renewable energy portfolio standards and Western Governors' initiatives on climate change.

During the initial round of the bid evaluation, only bids for capacity in Tiers 1 through 4 were considered. If a significant amount of capacity was allocated during the initial round but

not enough to fully subscribe the transmission line, Zephyr would issue a Second Offer Notice to those bidders that had capacity selected in the initial round giving them an option to acquire an additional pro rata portion of the remaining available capacity.

Following the Second Offer Notice, if there were still remaining capacity available, bids with material changes to the Precedent Agreement (Tiers 5 and 6) were considered. That is, Zephyr could elect to enter into negotiations with these bidders. Any changes to the Precedent Agreement negotiated with these bidders would then also be offered to the bidders that won capacity in the initial round or the Second Offer Notice.

Boston Pacific worked closely with the Zephyr project team to anticipate all possible bid scenarios and to define, prior to bid day, the rules by which these would be addressed. These rules were provided to potential bidders prior to Bid Day.

**F. Had there been an anchor customer, any customer in the open season willing to commit to a 25-year term for any megawatt amount would have received the same rate, terms and conditions as the anchor customer<sup>18</sup>**

As previously discussed, Zephyr did not have an anchor customer prior to conducting the open season. However, an extensive amount of negotiation had occurred with a potential anchor customer that resulted in a sophisticated and balanced Precedent Agreement. Zephyr used the Precedent Agreement that had been negotiated with the prospective anchor customer as the basis for the one that all parties would execute in response to the open season. The Precedent Agreement allowed terms of 20, 25, 30, 35, or 40 years. A common pre-established illustrative rate was to be paid by all customers which varied only by the length of the contract with bids for 20 year terms paying a slightly higher rate than bids for terms of 25, 30, 35 or 40 years.

The fact that the same standardized Precedent Agreement would be executed by all winning parties provided assurance that any customer willing to commit to equivalent terms would receive the same rate, terms and conditions. In order to arrive at a standardized Precedent Agreement participants who had signed a confidentially agreement were provided an opportunity to submit proposed changes to the Precedent Agreement by October 30, 2009. In addition, interested companies were provided the opportunity to discuss the Precedent Agreement with Zephyr's project team through (a) individual company meetings held on November 18<sup>th</sup> and 19<sup>th</sup> in Denver and (b) conference calls. Zephyr used three criteria to determine if a proposed change should be accepted or rejected. First, whether the proposed change would result in an improvement to the contract by either correcting a mistake or clarifying certain contract terms. Second, whether the same change was being proposed by a substantial number of potential bidders. Third, whether the proposed change would improve the likelihood of receiving more bids. Boston Pacific reviewed all proposed and accepted changes as a result of this process and concluded that no substantive comment or suggested change was rejected without good reason. The end result was that an amended Precedent Agreement, and summary of changes, was posted to Zephyr's sharepoint website on November 24, 2009 and e-mailed to the open season distribution list.

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<sup>18</sup> See FERC February 19, 2009 Order at paragraphs 13 and 61.

**G. Had there been more successful bidders than available capacity, Zephyr would have either prorated the awarded open-season capacity rights or enlarged the project<sup>19</sup>**

This was not an issue with the Zephyr open season because there were less than 3,000 MW of conforming bids to allocate in the initial round of the open season. However, the capacity allocation methodology had a process in place in the event that more than 3,000 MW conforming bids were received. This process is described below.

**Partial Awards of Capacity** - If Zephyr receives bids for capacity in excess of available capacity, one or more bidders may be allocated a portion of their bid amount. In this case, the allocated portion will not be less than the bid's minimum acceptable capacity. Where Zephyr receives bids for capacity in excess of available capacity, and two or more bidders have equivalent bid results, the following tie-breaking process will be applied:

- o If prorating the tied bids results in none of the bid amounts falling below their minimum acceptable capacity, then all bidders shall receive their prorated amounts;
- o If prorating the tied bids results in only one bidder being allocated a MW amount below its minimum acceptable capacity, then the bidders whose allocated MW amount is not below its "minimum" would receive the remaining capacity; and
- o If prorating the tied bids results in all bid amounts falling below their respective minimum acceptable capacity; then the bid with the longest term would be selected to receive remaining capacity. If both bids have the same term, the final tie breaker would be the number of amendments made to their respective precedent agreements.

**H. Once the agreements were executed, Zephyr posted on their internet website each winning bidder's name, quantity, the expiration date of the transmission rights awarded, and the contact information of the bidder for purposes of potential resale of transmission rights<sup>20</sup>**

On April 9, 2010 Zephyr filed an interim open season report with the Commission in which it requested an extension of time to file this final open season report. The extension was requested to allow Zephyr time to perform additional due diligence prior to executing the precedent agreements. On May 10, 2010 Zephyr executed the precedent agreements with the three bidders that were allocated capacity under this open season. On this same day a supplemental agreement was executed with these three parties outlining a ten month pre-regulatory phase to perform joint additional due diligence on market and permitting aspects, prior to entering into the regulatory phase of the project.

<sup>19</sup> See FERC February 19, 2009 Order at paragraphs 14 and 61.

<sup>20</sup> See FERC February 19, 2009 Order at paragraph 16.

On May 20, 2010 Zephyr issued a press release and posted on their internet website each winning bidder's name, quantity won, the expiration date of the transmission rights awarded, and the contact information of the bidders. The announcement is included as Attachment F.

**I. The results of the open season were reported to the Commission<sup>21</sup>.**

This commitment is fulfilled by the delivery of this Open Season Report to the Commission.

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<sup>21</sup> See FERC February 19, 2009 Order at paragraph 16.

**Attachment A: Media Advisory  
Announcing Open Season**



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# Media Advisory

September 22, 2009

## **TransCanada Announces Open Seasons for Zephyr and Chinook Power Transmission Lines**

CALGARY, Alberta - TransCanada will commence open seasons for the Zephyr and Chinook power transmission lines on October 13, 2009. The proposed projects would transport significant amounts of wind-generated electricity from the high-quality wind resources in Wyoming and Montana to markets in the U.S. Southwest, including California, Nevada and Arizona. The projects would promote U.S. national and state policy goals to facilitate construction of new renewable energy generation and would provide substantial benefits to the western power grid.

Each of the proposed 500 kilovolt high-voltage, direct-current projects would be more than 1,000 miles (1,600 kilometres) long, have 3,000 megawatts of capacity, and would terminate in the Eldorado Valley near Las Vegas, Nevada. The Zephyr project would originate in southeast Wyoming, and the Chinook project would originate in southwest Montana.

Bidder conferences will be in Las Vegas for companies that are interested in participating in the open seasons. The Zephyr bidder conference will take place on October 14, 2009, and Chinook's will occur on October 15, 2009. Both sessions will be restricted to qualified industry participants and a confidentiality agreement must be completed prior to participation in either the bidder conferences or the open seasons. A copy of the confidentiality agreement can be obtained by contacting [Chinook@transcanada.com](mailto:Chinook@transcanada.com) or [Zephyr@transcanada.com](mailto:Zephyr@transcanada.com). More information is available at [www.transcanada.com](http://www.transcanada.com), and as the open season approaches, additional information will be posted to the web site.

TransCanada will determine whether or not to proceed with the necessary regulatory applications for each project, which would include a stakeholder engagement process with landowners, public officials, agencies and other interested parties, after sufficient firm commitments have been received from the open seasons. The decision to proceed will be made for each project individually.

With more than 50 years' experience, TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas pipelines, power generation, gas storage facilities, and projects related to oil pipelines. TransCanada's network of wholly owned pipelines extends more than 36,500 miles (59,000 kilometres), tapping into virtually all major gas supply basins in North America. TransCanada is one of the continent's largest providers of gas storage and related services with approximately 370 billion cubic feet of storage capacity. A growing independent power producer, TransCanada owns, or has interests in, approximately 10,900 megawatts of power generation in Canada and the United States.

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**For TransCanada media inquiries, please contact:  
Terry Cunha or Cecily Dobson**

**Media Relations**  
**(403) 920-7859 or (800) 608-7859**  
**[www.transcanada.com](http://www.transcanada.com)**

# **Attachment B: Sample of Published News about the Open Season**

## **TransCanada sets open seasons for lines**

Calgary-based TransCanada on Tuesday said it will launch two open seasons on October 13 for capacity on its proposed Zephyr and Chinook electric transmission lines that would move wind power from Wyoming and Montana to markets in the Southwest, including California, Nevada and Arizona.

The company said each of the proposed 500-kV direct-current lines would run more than 1,000 miles long, have 3,000 MW of capacity, and would terminate in the Eldorado Valley near Las Vegas. The Zephyr project would originate in southeastern Wyoming and the Chinook project would originate in southwestern Montana, the company said.

Bidder conferences will be in Las Vegas for companies interested in participating in the open seasons. The Zephyr bidder conference is scheduled for October 14 and Chinook's will occur October 15. Both sessions will be restricted to qualified industry participants and a confidentiality agreement

must be completed prior to participation in either the bidder conferences or the open seasons, TransCanada said.

TransCanada will determine whether to proceed with the necessary regulatory applications for each project, which would include a stakeholder engagement process with landowners, public officials, agencies and other interested parties, after it receives sufficient firm commitments in response to the open seasons. The decision to proceed will be made for each project individually, it added. — *Staff Report*

## TransCanada: strong interest in open season

TransCanada is seeing strong interest in its open season for capacity on two proposed 500-kV power lines running from Montana and Wyoming to southern Nevada, according to John Dunn, TransCanada project manager.

The direct current power lines would deliver wind generation from some of the best wind resources in North America to utilities in the Southwest where states have renewable portfolio standards.

About 50 parties, mainly wind generators, have been engaged in the open season process, which started in mid-October and was extended to December 16, Dunn said Tuesday. "We're optimistic," he said.

But if the merchant Chinook and Zephyr lines are going to be built, the wind generators need to make firm commitments in the open season, Dunn said Tuesday. "This is a crucial juncture."

The Chinook project would run about 1,000 miles from Harlowtown, Montana, through Idaho to south of Las Vegas. The second line, the Zephyr project, would run about 1,100 miles west from Medicine Bow, Wyoming, to Idaho, where it would meet up with the Chinook line and head to Las Vegas. Each line would cost about \$3 billion. TransCanada expects to be the sole owner of the projects.

Earlier this year, the Federal Energy Regulatory Commission granted TransCanada the authority to sell transmission rights at negotiated rates. It also approved an anchor tenant approach for the projects. The company had found two wind developers to serve as anchor tenants for the lines. The anchor tenants would have taken up about half of each line's 3,000 MW of capacity. The wind developers, however, backed out of the arrangement and TransCanada has made all the capacity on the lines available during the open season. The company expects the former anchor tenants to participate in the open season, Dunn said.

TransCanada is not alone in developing major power lines in the West. Anschutz plans to build a 600-kV line from Wyoming to near Las Vegas. LS Power is developing the Overland Intertie, which would start in Wyoming and interconnect with a line that would run to the Las Vegas area. The company is still in an open season process. Also, a group of utilities, state agencies and Trans-Elect is working on the High Plains Express project, which would run south from Wyoming and end in Arizona.

TransCanada believes that it has developed a merchant commercial model that can break the "chicken-and-egg" problem with developing renewable projects that need major power lines, Dunn said. If the open season is successful, TransCanada and the participating wind developers will share development costs of the lines, he said. Participants would be able to back out of the arrangement if milestones are not met, he said. TransCanada expects that there will be a two or three year period when the lines are not running at full capacity as the wind developers build out their projects, Dunn said. Dunn

declined to be specific about TransCanada's proposed commercial arrangement with the wind developers.

Natural gas-fired generation will likely be included on the lines to help smooth the wind generation, Dunn said.

Besides the open season, many challenges remain for the transmission projects, including federal permitting, Dunn said. TransCanada believes that a successful open season will show that its projects are commercially viable, which may ease some of their hurdles, he said. For example, federal agencies have been flooded with potential energy projects and are not differentiating between viable and less-than-viable projects when deciding how to allocate their resources to process the environmental reviews, Dunn said. A commercially viable project may move through the permitting process at a faster rate, he said.

Another issue facing renewable developers is some states prefer in-state renewable resources, Dunn said. In part because of this issue, TransCanada supports a federal renewable energy standard, he said. Even without a federal standard, many Southwestern states will be hard pressed to meet their own RPSs without importing power, he said.

TransCanada does not expect the Wyoming portion of the Zephyr line to be significantly affected by sage grouse protection in the state, Dunn said. "We think it's manageable," he said, noting that the line route may need to avoid certain habitats and that the company may need to have a mitigation program for the rare birds.

If the projects continue to move ahead, TransCanada plans to begin building the lines in 2012 and finish them in 2015.

TransCanada expects to announce the results of the open season in early 2010. — *Ethan Howland*

## Retail suppliers see need for Maryland action

The number of residential customers shopping for power in Maryland has increased 50% in the past few months, but a push from the state is needed before more customers will sign up, representatives from the retail supply industry said Wednesday.

Even with the recent 50% increase, only about 5% of Maryland's residential customers are now shopping for a retail supplier, compared with 50% of medium commercial customers and nearly 90% of large industrial customers.

Representatives from the Direct Energy, Washington Gas Energy Supply and the Retail Energy Supply Association testified at a hearing held by the Maryland House Economic Matters, which was called by Chairman Dereck Davis to consider what other states are doing to encourage competition, said Jim Cason, Davis' chief of staff.

"In Mr. Davis' view, choice will bring more competition, and competition will bring lower rates," Cason said. Davis was travelling and not available for comment.

Davis, a Democrat, is a deregulation proponent, Cason said. "There are elements in the state that want to go back to regulation, but de-regulation is finally promoting choice. There needs to be more consumer education to increase choice," he said.

Davis held a series of hearings last summer to prepare for the



## Montana, Wyoming wind power sought for \$3B lines

**MATTHEW BROWN Associated Press | Posted: Wednesday, September 23, 2009 9:20 am**

A Canadian company is seeking wind power developers to move electricity along a pair of \$3 billion transmission lines in Montana and Wyoming - potentially spurring a major increase in renewable power exported from the Rockies to the Southwest.

The two lines would move 3,000 megawatts of power from each state. That's more than three times as much wind power as Wyoming currently produces and eight times what Montana has.

Calgary-based TransCanada says the lines would extend more than 1,000 miles each to the Eldorado Valley near Las Vegas. They would connect to markets in California, Nevada and Arizona.

TransCanada has been planning the lines for several years, but earlier this year had delayed its search for potential customers. A Montana official said the announcement of next month's "open season" auctions for potential customers marks a major turning point for the projects.

"It sends a signal to the wind generation developers in Montana that now is the time to start planning to put wind farms up that will feed into this," said Evan Barrett, chief economic development adviser to Montana Gov. Brian Schweitzer.

During the auctions, to be held in Las Vegas, potential customers will bid for space on the lines. The auctions are scheduled for Oct. 14 for the Zephyr line, which would begin in southeast Wyoming, and Oct. 15 for the Chinook line, which would begin in southwest Montana.

The company is required under federal law to take bids from power generated by any source, including coal or natural gas. But TransCanada representatives said interest in the project to date has come almost exclusively from major wind developers.

Montana and Wyoming have some of the best wind resources in the country but lag other states in turning that potential into power.

Combined, the states generate about 1,200 megawatts of wind power - or about as much as one large coal-fired power plant. The nation's wind leader, Texas, produces more than 8,300 megawatts from wind.

TransCanada spokesman Terry Cunha said the company will decide whether to continue with the projects based on the results of the auction.

Cunha said the company is negotiating in both states for customers who could provide up to half the electricity needed for each line. Those could be announced before next month's auction, leaving other developers to bid on the remaining space.

# NATIONAL POST

Wednesday, September 23, 2009

## TransCanada powers into western U. S.

Dina O'meara, Calgary Herald



Handout photo

CALGARY - Surging interest south of the border in renewable energy has supported TransCanada Corp.'s plan to launch an open season on two 500-kilovolt power lines stretching from wind farms in Wyoming and Montana into Nevada and the potentially lucrative California power market.

TransCanada, better known for its vast Canadian network of natural gas pipelines, will be soliciting interest in the \$3-billion US Zephyr and Chinook lines Oct. 14 and 15, respectively.

The energy company has been developing the projects for five years, with eyes on ever-growing interest in green energy from the U. S. West Coast. If the open season is successful and the market strong, the projects would be commercial by 2015, Trans-Canada said.

California, which already imports energy from British Columbia, has set a target of generating 33 per cent of its power from renewable sources by 2020, project leader John Dunn noted.

"In order to achieve that ambitious target, it's clear that they will have to import significant amounts of renewables from out of state," Dunn said.

The projects would run high-voltage wires, similar to those proposed by regulators for Alberta's Edmonton-Calgary corridor, between the states. Both U. S. lines would be around 1,600 kilometres long and have 3,000 megawatts of capacity, terminating in the Eldorado Valley near Las Vegas.

TransCanada held an open season for another U. S. transmission project in 2004, the 3,000 MW Northern Lights line from Montana to Las Vegas, Wyoming to Las Vegas, and from Fort McMurray to the Washington-Oregon border. The project has been at a standstill since, although TransCanada says it's still on the books, awaiting clarity on provincial inter-tie strategy and improved market conditions.

"We're not really sure of the economics of this to any meaningful degree," UBS analyst Chad Friess said of the Zephyr and Chinook projects. "At this stage, it's just an open season and we don't really know if it is going to result in anything."

"It's another growth avenue, and that's about the only positive thing that I can say about it right now," Friess said.

## TransCanada powers into western U. S.

Page 2 of 2

Dunn acknowledged TransCanada would need a minimum of two years to determine whether there is enough commercial support for the project, but noted the U. S. market is primed to embrace renewable energy.

"Certainly our projects speak to the aspirations of the (U. S. President Barak) Obama administration and most of the Western governors," Dunn said.

"We observed that there's a determination to develop this renewable market."

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# **Attachment C: Open Season Advertisement**

## Open Season Notice

### **TransCanada Corp. is commencing open seasons for two proposed power transmission projects on October 13, 2009**

TransCanada is holding open seasons for its Zephyr and Chinook power transmission projects. The proposed high voltage direct current transmission lines would transport primarily wind-generated electricity from Wyoming (Zephyr) and Montana (Chinook), through Idaho, and terminate at a connection south of Las Vegas in the Eldorado Valley.

The proposed 1,000 mile Zephyr and Chinook projects will each be capable of delivering 3,000 megawatts and have a combined development cost of approximately \$6 billion. Importantly, Zephyr and Chinook will provide critical transmission infrastructure in the western United States, enabling the large-scale development of environmentally attractive wind generation projects, assisting states in achieving renewable portfolio standards, and helping reduce CO2 emissions.

Qualified companies are invited to participate in bidder conferences in Las Vegas on October 14 (Zephyr) and October 15 (Chinook). For information on how to participate in the open seasons or to attend the bidder conferences, contact [Zephyr@transcanada.com](mailto:Zephyr@transcanada.com) or [Chinook@transcanada.com](mailto:Chinook@transcanada.com).

For more information about the projects, visit [www.transcanada.com](http://www.transcanada.com).

With more than 50 years' experience, TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure.

[www.transcanada.com](http://www.transcanada.com)



# **Attachment D: Public Version of the Open Season Notice**

**ZEPHYR POWER TRANSMISSION LLC****SUMMARY OF BINDING OPEN SEASON NOTICE  
FOR NEW TRANSMISSION CAPACITY FROM WYOMING TO NEVADA****GENERAL SUMMARY**

**Project.** Zephyr Power Transmission LLC (Zephyr), an indirect, wholly owned subsidiary of TransCanada Corporation, proposes to construct 1,100 miles of 500 kV high voltage, direct current (HVDC) electric transmission line, with associated appurtenant facilities, which would originate near Medicine Bow, Wyoming, traverse Idaho and terminate south of Las Vegas, Nevada in the Eldorado Valley (Project), at which point other transmission systems would be able to transmit electricity to California, Southern Nevada and other Southwestern US markets. The Project may include alternating current (AC) transmission segments to interconnect the HVDC lines with generation and load.

Converter stations will be located in Wyoming, Idaho and Nevada and will provide various economic and other benefits to each of those states. The proposed Project will be capable of delivering 3,000 MW of generation and is expected to be in service by early 2015. The estimated capital cost of the project is \$3 billion.

**Product.** The only product being allocated is reserved capacity which will enable customers, should Zephyr proceed to commercial operations, to schedule long-term, firm, point-to-point transmission service on the Project, pursuant to an Open Access Transmission Tariff (OATT) and a related *pro forma* Firm TSR Purchase and Service Agreement (TPSA). A precedent agreement will be used to set forth the rights and obligations of Zephyr and its customers until the TPSA takes effect. Between 1,500 MW and 3,000 MW will be available for bid in the open season.

**Price.** The rate for transmission service will be the same for all of the Project's transmission customers bidding for contract terms of 25 years or more. A different illustrative rate will apply to 20 year contracts. All the rates are based on estimated construction costs and are included in the open season materials. As a result, bidders are not required to submit a bid price.

**Length of Open Season.** The open season will commence on October 13, 2009. On the following day, a bidder conference will be held at Caesar's Palace, Las Vegas. Those unable to attend in person can arrange to participate via webinar. Bids must be received by 4:00 p.m. MST on December 16, 2009. To be eligible to receive reserved capacity in the open season, all bids must be received by Zephyr on or before that deadline.

**Confidentiality Agreement.** In order to participate in the open season and attend the bidder conference, interested parties must first sign a confidentiality agreement, a copy of which can be obtained by directing requests to [zephyr@transcanada.com](mailto:zephyr@transcanada.com). By requesting a confidentiality agreement, receiving confidential information about the project and by attending the bidder conference, you will be certifying on behalf of yourself and your organization that you are doing so in good faith and with a genuine view to evaluate the Zephyr project for the purpose of potentially submitting a bid for transmission capacity.

**Internet Web Site.** Confidential Project information and open season materials will be posted on a secure SharePoint web site to which passwords will be provided to interested parties after they have signed confidentiality agreements. Open season materials will be posted to the SharePoint web site on October 13, 2009.

*By responding to this open season notice and by requesting a confidentiality agreement you will be certifying on behalf of yourself and your organization that you are doing so in good faith and with a genuine view to evaluate the Zephyr project for the purpose of potentially submitting a bid for transmission capacity.*

**ZEPHYR POWER TRANSMISSION LLC****SUMMARY OF BINDING OPEN SEASON NOTICE  
FOR NEW TRANSMISSION CAPACITY FROM WYOMING TO NEVADA****HOW TO BID**

**Open Season Documents.** After receipt of the executed confidentiality agreement by Zephyr and upon commencement of the open season, the potential bidders will be able to access the secure web site and obtain all open season documents, including the precedent agreement, draft OATT (which includes a draft TPSA) and a 'Confidential Information Memorandum' which contains detail about the Project. These documents will also be distributed at the bidder conference. Providing potential bidders with a copy of the precedent agreement (either in paper or posting on Zephyr's website) does not constitute an offer by Zephyr to provide transmission service or sell reserved capacity, but rather simply enables potential bidders to review and if they wish to do so, complete, execute and return copies of the precedent agreement to Zephyr to be eligible to receive reserved capacity if the Project proceeds and if Zephyr executes the precedent agreements as described below. Bidder identity will be kept confidential through the entire open season process.

**Establish Creditworthiness.** After executing a confidentiality agreement, potential bidders in conjunction with their guarantors if necessary, must provide evidence of creditworthiness in order to avoid providing collateral. In addition, the bidder's or its guarantor's debt rating will be used to evaluate the expected bid revenue as part of the capacity allocation process.

**Bid Submission.** By the deadline, bidders must complete, execute and return to Zephyr two copies of the precedent agreement, and provide a deposit to Zephyr. Zephyr reserves the right to reject any bid that is not received on or before the deadline, or to extend the deadline, as it considers necessary. Zephyr, in its sole discretion, and on a non-discriminatory basis, reserves the right to reject any interested parties, and any or all bids, as well as to amend or extend the open season schedule.

**BID EVALUATION**

Bid submissions will be evaluated by a third-party independent evaluation consultant and ranked according to overall value to Zephyr using a net present value of the expected revenue per MW (bid expected revenue) and non-price criteria. Bidders successful in the initial allocation process will be notified within 10 days of the bid deadline.

**OPEN SEASON END DATE**

The bid deadline is December 16, 2009. The open season shall conclude upon the earlier to occur of: (i) the date on which Zephyr has executed precedent agreements with Customers for at least 3,000 MW of reserved capacity, or upon Zephyr's discretion; and (ii) March 10, 2010. Bidders that have successfully been awarded capacity will be posted on the open season website following the end of the open season. Bid deposits made by unsuccessful bidders will be returned following the end of the open season.

*By responding to this open season notice and by requesting a confidentiality agreement you will be certifying on behalf of yourself and your organization that you are doing so in good faith and with a genuine view to evaluate the Zephyr project for the purpose of potentially submitting a bid for transmission capacity.*

**ZEPHYR POWER TRANSMISSION LLC**

**SUMMARY OF BINDING OPEN SEASON NOTICE  
FOR NEW TRANSMISSION CAPACITY FROM WYOMING TO NEVADA**

**CONTACTS**

**General Inquiries**

All inquiries are to be directed to [zephyr@transcanada.com](mailto:zephyr@transcanada.com)

**Open Season Inquiries**

To request a confidentiality agreement or for any open season inquiries, please contact:

Meredith Lamey

403.920.5056

[meredith\\_lamey@transcanada.com](mailto:meredith_lamey@transcanada.com)

*By responding to this open season notice and by requesting a confidentiality agreement you will be certifying on behalf of yourself and your organization that you are doing so in good faith and with a genuine view to evaluate the Zephyr project for the purpose of potentially submitting a bid for transmission capacity.*

# **Attachment E: Agenda for Bidder Conference**

**AGENDA**

**Zephyr Bidders Conference**

**October 14, 2009**

<b>Presentations Capri Room</b>	<b>8:30 am - 12:30 pm (includes WebEx Webinar)</b>
<b>Hank Petrank</b>	<b>Introduction</b>
<b>John Dunn</b>	<b>Project Overview</b>
<b>Bill Hosle</b>	<b>Design and Technical Discussion</b>
<b>John Dunn</b>	<b>Commercial Discussion</b>
	<b>- BREAK- (15 mins)</b>
<b>Alan Montain</b>	<b>Credit Requirements</b>
<b>Meredith Lamey</b>	<b>Open Season Process</b>
<b>Miguel Campo</b>	<b>Bid Evaluation and Capacity Allocation</b>
<b>John Cassady</b>	<b>Regulatory Phase – Permitting (15 min)</b>
<b>Scott Farris</b>	<b>Regulatory Phase - Government &amp; Stakeholder Relations (15 min)</b>
<b>Bill Hosle</b>	<b>Regulatory Phase - Technical (15 min)</b>
	<b>- LUNCH BREAK - (Food will be available for 1.5 hours)</b>

**Note: Webinar Seminar will be available for morning agenda only.**

<b>1:00 – 4:30 pm Anzlo Room</b>	<b>Round Table Discussions</b>
	<b>Credit</b>
	<b>Commercial</b>
	<b>Technical</b>
	<b>Permitting /Stakeholder Relations</b>
	<b>Rates</b>
	<b>Open Season Process</b>

**Attachment F: Press Release Announcing  
Results of the Open Season**



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# NewsRelease

## **TransCanada Announces Open Season Results for Zephyr Power Transmission Project**

CALGARY, Alberta – **May 20, 2010** – TransCanada Corporation (TSX, NYSE: TRP) (TransCanada) today announced that it has concluded a successful open season for the Zephyr Power Transmission (Zephyr) project and has signed precedent agreements for the full 3,000 megawatts (MW) of capacity with renewable energy developers in Wyoming. The three creditworthy wind developers are Pathfinder Renewable Wind Energy LLC, Horizon Wind Energy LLC, and BP Wind Energy NA Inc.

"These precedent agreements are a clear indication of wind developer support for significant export transmission capacity for renewable energy out of Wyoming into the southwest markets," said Hal Kvisle, TransCanada's president and chief executive officer. "However, support from key markets and a positive regulatory environment are necessary before we start the significant siting and permitting activities required to construct the project."

The proposed Zephyr project is a 1,000 mile (1,600 kilometre), 500 kilovolt, high voltage direct current line designed to move 3,000 MW of wind-generated electricity from Wyoming to power markets in the southwest U.S. at a cost of approximately US\$3 billion. Should Zephyr proceed to construction, major capital spending would start in late 2013 with a targeted timeframe for commercial operations of late 2015/early 2016.

Zephyr would significantly contribute to economic development in the western states, enhance resource diversity, increase energy security, reduce greenhouse gas emissions and would promote U.S. national and state policy goals to facilitate construction of new renewable energy generation.

As part of the siting and permitting process, formal consultation with landowners, public officials, agencies and other interested parties will ramp up as satisfactory regulatory, political and market conditions are clarified.

With more than 50 years' experience, TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas and oil pipelines, power generation and gas storage facilities. TransCanada's network of wholly owned natural gas pipelines extends more than 60,000 kilometres (37,000 miles), tapping into virtually all major gas supply basins in North America. TransCanada is one of the continent's largest providers of gas storage and related services with approximately 380 billion cubic feet of storage capacity. A growing independent power producer, TransCanada owns, or has interests in, over 11,700 megawatts of power generation in Canada and the United States. TransCanada is developing one of North America's largest oil delivery systems. TransCanada's common shares trade on the Toronto and New York stock exchanges under the symbol TRP. For more information visit: [www.transcanada.com](http://www.transcanada.com)

Pathfinder Renewable Wind Energy, LLC (Pathfinder), head quartered near Alcova, Wyoming, owns and operates Wyoming's historic Pathfinder Ranch. Pathfinder is advancing the development of new wind generation assets and expanded power transmission for markets in the southwest. Pathfinder and its partnering ranchers are leaders in enhancing wildlife habitat while preserving America's ranching heritage and meeting the nation's desire for green energy. Its wind energy vision is based on an appreciation for Wyoming's rural economies, communities, wildlife, scenic viewsheds and cultural resources. Sammons Power Development, Inc., a subsidiary of Dallas-based Sammons Enterprises, Inc. with assets approaching \$40 billion, is the lead partner in Pathfinder. Find Pathfinder online at [www.pathfinderwind.com](http://www.pathfinderwind.com) or contact: John J. Reed, 888-491-0002

Horizon Wind Energy LLC (Horizon) develops, constructs, owns and operates wind farms throughout North America. Based in Houston, Texas with over 20 offices and over 20 wind farms across the United States, Horizon has developed more than 3,400 MW and operates over 2,800 MW of wind farms. Horizon is owned by EDP Renováveis S.A. (EDPR), a global leader in the renewable energy sector that designs, develops, manages and operates power plants that generate electricity using renewable energy sources. With a sound development pipeline, first class assets and market-leading operating capacity, EDPR has undergone exceptional development in recent years. EDPR is listed on the Euronext Lisbon Stock Exchange.

Energias de Portugal, S.A. (EDP), the parent company of EDPR, is a vertically-integrated utility company, headquartered in Lisbon, Portugal. Through its various constituent businesses, EDP holds significant electricity and gas operations in Europe, Brazil, and the United States. For more information, visit [www.horizonwind.com](http://www.horizonwind.com) and [www.edprenovaveis.com](http://www.edprenovaveis.com).

BP Wind Energy NA is a wholly owned subsidiary of BP, one of the world's leading energy companies. BP Wind Energy NA is a principal owner and operator of wind power facilities with interests in eight operating wind farms. BP Wind Energy NA has a gross generating capacity of more than 1,200 MW, enough to provide electricity for a city the size of Washington DC. BP America is the largest producer of oil and natural gas in the United States and one of the nation's largest energy investors. For more information, visit the company's web sites at [www.bpalternativenergy.com](http://www.bpalternativenergy.com) and [www.bp.com/us](http://www.bp.com/us)

#### **TransCanada Forward-Looking Information**

This news release may contain certain information that is forward-looking and is subject to important risks and uncertainties. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or other similar words are used to identify such forward looking information. Forward-looking statements in this document are intended to provide TransCanada security holders and potential investors with information regarding TransCanada and its subsidiaries, including management's assessment of TransCanada's and its subsidiaries' future financial and operational plans and outlook. Forward-looking statements in this document may include, among others, statements regarding the anticipated business prospects, projects and financial performance of TransCanada and its subsidiaries, expectations or projections about the future, strategies and goals for growth and expansion, expected and future cash flows, costs, schedules, including anticipated construction and completion dates, operating and financial results and expected impact of future commitments and contingent liabilities. All forward-looking statements reflect TransCanada's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among others, the ability of TransCanada to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of the Company's pipeline and energy

assets, the availability and price of energy commodities, capacity payments, regulatory processes and decisions, changes in environmental and other laws and regulations, competitive factors in the pipeline and energy sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments and economic conditions in North America. By its nature, forward-looking information is subject to various risks and uncertainties, which could cause TransCanada's actual results and experience to differ materially from the anticipated results or expectations expressed. Additional information on these and other factors is available in the reports filed by TransCanada with Canadian securities regulators and with the U.S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this news release or otherwise, and not to use future-oriented information or financial outlooks for anything other than their intended purpose. TransCanada undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

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