



Department of Energy

Bonneville Power Administration
P.O. Box 61409
Vancouver, WA 98666-1409

TRANSMISSION SERVICES

March 19, 2008

In reply refer to: T-DITT - 2

Dear Customer,

The Bonneville Power Administration (BPA) invites your participation in its first Network Open Season (NOS) process. In a few weeks BPA will offer transmission service to all customers that apply for service over the BPA transmission network. We believe this approach will lead to improved transmission queue management. It will enable us to more efficiently determine system impact and new facility requirements studying these requests in a "cluster". Currently, 25 customers have approximately 180 applications for service in the Transmission service request queue totaling about 8,500 mw of new capacity. We will then better understand their collective impact on the BPA transmission system.

While NOS is a fundamental change in approach it is consistent with the requirements of the BPA tariff. Here is how NOS works:

- All customers that apply for transmission service by submitting an application on the OASIS by May 15, 2008, will receive a precedent service agreement (PA).
- Customers that sign the PA offer no later than June 16, 2008, and provide required security will receive service in accordance with the terms of their request provided that two conditions can be met: 1) BPA must be able to determine that it can provide the requested service at its rolled-in rate; and 2) BPA must be able to timely complete its National Environmental Policy Act (NEPA) obligations and determine that a build alternative is acceptable.
- BPA will study all requests where a PA is signed in a cluster and determine the aggregate impacts, facility requirements and estimated costs of facilities necessary to accept service.
- All study costs including the cost of completing environmental studies and NEPA will be borne by BPA.
- BPA will arrange financing, plan, and design and construct any required facilities.
- BPA will use due diligence to complete cluster studies and environmental analyses so that service can commence as close to the requested service commencement dates as possible.
- Customers that decline the PA offer will have their application for service withdrawn from the transmission request queue, but may resubmit a request at any time and participate in a subsequent NOS. BPA plans to offer regular NOS on at least an annual basis.

BPA's agreement to assume the study costs and arrange financing for new facilities is significant change to current practice which requires customers to pay the cost of performing studies, provide required security for the facility construction and, over time, receive repayment in the form of transmission credits.

NOS should allow BPA and the region to manage transmission system expansion that better accommodates the need and timing for new resource development. This process will ensure that the transmission system meets its users' requirements as they seek new resources to meet growing loads. Additionally, it will enable the transmission system to provide access to renewable resources and help customers meet mandated state renewable portfolio standards.

Please feel free to contact me at 360-418-8005, or your Account Executive if you would like to arrange a meeting with the Transmission Service executive team. Also, you may direct any technical issues and questions to the NOS outreach coordinator, Sean Egusa at (360) 619-6383. We deeply appreciate the hard work and support (as evidenced by the letters we have received) that have resulted in the NOS offer and look forward to working with you.

Sincerely,

A handwritten signature in cursive script that reads "Vickie A. VanZandt". The signature is written in black ink and is positioned above the typed name.

Vickie A. VanZandt, Sr. Vice President
Transmission Services