



May 5, 2004

Mr. Brian D. Altman
Transmission Business Line TM-OPP-1
Bonneville Power Administration
P.O. Box 61409
Vancouver, WA 98666
Via Email to: tblfeedback@bpa.gov

Subject: PPM Energy, Inc.'s comments on the Bonneville Power Administration – Transmission Business Line Implementation of the Federal Energy Regulatory Commission's Order 2003/2003-A

Dear Mr. Altman:

PPM Energy appreciates the opportunity to comment on the Bonneville Power Administration's Transmission Business Line ("BPA") implementation of large generation interconnection procedures as envisioned in the Federal Energy Regulatory Commission's ("Commission") Order Nos. 2003 and Order 2003-A. PPM Energy is a wind generation developer and power marketer that participates in a number of wholesale power markets throughout the United States, including the WECC and markets in which BPA provides transmission services. PPM Energy has obtained authorization from the Commission to make wholesale sales of electricity at market-based rates. PPM Energy is an active participant in energy markets in the Pacific Northwest and will be subject to BPA's interconnection procedures at issue. Five of PPM Energy's renewable projects are in BPA's interconnection queue and may not be developed if there is uncertainty as to how BPA plans to implement standard interconnection procedures for large generators.

PPM Energy commends BPA for proposing a credit pricing policy capable of ensuring that generation facility developers and owners that fund Network Upgrades are clearly and fairly compensated. PPM Energy supports BPA's retention of the pricing policy established in the Commission's Order No. 2003. The ability of generation facility developers and owners to recoup the initial funding of Network Upgrades within a five year period with interest is a critical element in determining the economic feasibility of proceeding with a particular generation project. PPM Energy knows of no other mechanism that sufficiently ameliorates the real risk developers face of not deriving measurable or obtainable benefits from having to pay for necessary but expensive Network Upgrades.

The ability of an Interconnection Customer to apply the credits associated with the cost of funding Network Upgrades to its overall transmission bill from BPA or to assign the credits to a third party is critical to encouraging the construction of generation facilities in BPA's control area. Depending on the marketing arrangements associated with a given project, the party constructing the generation facility may or may not hold a transmission contract against which credits could be applied. Furthermore, a transaction may utilize

an energy purchaser's network transmission agreement or short-term or non-firm transmission. In other words, there may not in all cases be a clear transmission contract against which to credit Network Upgrade costs. For these reasons, among others, BPA should allow credits for Network Upgrades to be applied against a customer's entire BPA transmission bill and/or allow the credits to be assigned to a third party. In addition, the ability to apply the credits from Network Upgrades to the overall transmission bill from BPA reduces BPA's obligation to refund the cost of Network Upgrades after a five year period. Likewise, to the extent that credits are assigned to third parties, BPA responsibility to provide the Interconnection Customer with a refund amount at the end of the five year period is lessened.

The Commission's reversal in Order No. 2003-A of certain aspects of the crediting policy may have been a result of the comments and requests for rehearing to Order No. 2003 received by the Commission. Many parties that were involved in reaching the compromises found in Order No. 2003 were surprised and disappointed by the Commission's Order No. 2003-A and there have been numerous requests for rehearing. PPM recommends BPA comply with Order No. 2003 provisions until the issues with Order No. 2003-A have been resolved by the Commission.

Additionally, PPM Energy strongly encourages BPA to adopt a definition of Network Upgrades consistent with the definition proposed by the Commission in Order No. 2003. A more narrow definition of Network Upgrades would result in the impediment of new generation development, especially from renewable resources. The purpose of Order No. 2003 and 2003-A was to provide national uniformity in the interconnection process and minimize transmission providers from preferring their affiliate's generation resources. The impact of the cost of Network Upgrades to the economics of a generation project is a strong factor in siting decisions. Different definitions of Network Upgrades may encourage selective shopping of locales by generation developers which would lead to certain areas not receiving the generation resources needed to serve growing load.

PPM Energy encourages BPA to adopt the Commission's definition of Network Upgrades rather than follow its current guidelines on what constitutes a Network Upgrade. BPA's guidelines may be more readily subject to change and different interpretations than the Commission's definition. It is PPM Energy's understanding that BPA would like to decide this issue in a Northwest Power Act section 7(i) rate case. This is simply unworkable for generation developers, as the major question of what constitutes a Network Upgrade will be left undecided for an extended period of time. Even when it would be decided in the rate case, often a rate case is a forum in which many issues are negotiated and traded off, whereas the Commission's intent with Order No. 2003 is to bring near-term clarity and definition to these interconnection issues. A rate case on the definition of Network Upgrade would be the subject of a regional bargaining session that often pits one set of BPA customers against another. PPM Energy strongly encourages BPA to avoid this long and tedious process by applying the Commission's definition of Network Upgrades which is in effect in many other control areas throughout the nation.

Although BPA continues to make good faith efforts to estimate the completion of Network Upgrades, the Large Generator Interconnection Procedures and Large Generator Interconnection Agreement (“LGIP/LGIA”) disavows Liquidated Damages. Interconnection Customers rely on BPA’s estimate of the completion of Network Upgrades to determine the Commercial Operation Date. Any delay in the Commercial Operation Date may cause economic harm to the Interconnection Customer even though the Interconnection Customer has no ability to remedy the delay. PPM Energy supports the insertion of Liquidated Damages into the LGIP/LGIA to allow the Interconnection Customer a remedy for unreasonable delays which are in BPA’s ability to control. The narrow ability to recover Liquidated Damages from BPA for unreasonable delay would provide a strong signal that BPA is willing to be a responsible business partner in bringing new generation on-line within BPA’s control area.

PPM Energy supports BPA’s efforts to simplify the interconnection data request. There are many situations when all the necessary data, such as turbine types, are not available until after the interconnection request has been submitted. The simplified interconnection data request allows BPA to collect the necessary data to initiate the interconnection request without burdening the Interconnection Customer with providing information which is not critical to the request.

In conclusion, PPM Energy requests BPA to retain the Commission’s credit policy for the cost of Network Upgrades, the definition of Network Upgrades, and provisions for Liquidated Damages found in the Commission’s Order No. 2003. Furthermore, a delay in resolving these critical issues until a 2005 Northwest Power Act 7(i) rate case will likely deter renewable development in BPA’s control area for a minimum of twelve to eighteen months.

PPM Energy looks forward to working with BPA and other parties in making the LGIP/LGIA meet the needs of the Pacific Northwest while continuing to advance the goals of Order No. 2003 and 2003-A. Please contact Jon Fischer at 503.796.7032 if you have any questions.

Yours truly,

PPM ENERGY, INC.

Paul Kaufman

Paul Kaufman
Associate General Counsel

1125 NW Couch, Suite 700
Portland, OR 97209
paul.kaufman@ppmenergy.com