

## 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.

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#### 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.

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**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)

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