

**ZEPHYR POWER TRANSMISSION LLC'S STATEMENT OF INTEREST IN
RESPONSE TO THE WESTERN AREA POWER ADMINISTRATION
REQUEST FOR INTEREST**

A. **Introduction**

Zephyr Power Transmission LLC (“Zephyr”) appreciates this opportunity to submit this statement of interest (“SOI”) to the Western Area Power Administration (“Western”). The Zephyr Project (“Project”) is being developed in response to a need for significant new transmission capacity to link proposed wind generation projects in wind resource-rich areas of Wyoming to load centers in the Southwestern United States. The Project will provide substantial benefits to the western power grid and will promote national and state policy goals to facilitate construction of new renewable energy generation. At the same time the proposed new transmission facilities, expected to cost approximately \$3 billion, will create significant employment opportunities in Wyoming, Idaho and Nevada.

The Zephyr Project dovetails perfectly with Western’s mission to implement Section 402 of the American Recovery and Reinvestment Act (“Act”). A primary focus of Section 402 of the Act is to grant Western the ability to facilitate the development of both new electric transmission facilities and renewable energy projects, such as wind generation projects. The Project will further both of these important goals – it will provide 3,000 MW of new transmission capacity in order to deliver much needed, renewable energy from new wind generation projects in Wyoming to major load centers in the Southwestern United States. Zephyr has already performed much of the groundwork for the Project and is prepared to move forward immediately to engage Western in discussions to negotiate an agreement for Western’s involvement in the Project. Zephyr is submitting this SOI in order to pursue opportunities for Western to directly participate with Zephyr on the Project and/or to participate with Zephyr on opportunities related to the Project. Zephyr is flexible in its approach to exploring potential opportunities and roles that Western

might play as the Project further develops. This SOI is not intended to limit or preclude other opportunities related to the Project that may be of interest to Western, and Zephyr welcomes the opportunity to engage in further discussion with Western.

1. **Entity:** Name and general description of the entity submitting the SOI, including the entity's relationship, if any, to transmission facility owners in the vicinity of the proposed project and renewable resource developers for projects listed in the response to Item 4, below.

Response: Zephyr Power Transmission LLC is the legal name of the entity submitting this SOI. Zephyr is a Delaware limited liability company established for the purpose of developing and financing the Zephyr Project, as described in Section 3 hereof. Zephyr is a merchant transmission developer and currently owns no electric transmission or generation facilities. Zephyr is a wholly-owned subsidiary of NorthernLights Transmission Inc. ("NorthernLights"), which is a wholly-owned, direct subsidiary of TransCanada PipeLine USA Ltd. ("TransCanada"). Zephyr is not affiliated with either any transmission owners or renewable resource developers that are located or currently do business in any state in which the project will be located.

Chinook Power Transmission LLC ("Chinook"), an affiliate of Zephyr, is contemporaneously filing a similar SOI for a transmission project that would link generation resources in Montana with loads in the Southwest. From Borah, Idaho to the Eldorado Valley south of Las Vegas, Nevada, Chinook's project would parallel the Zephyr Project. Each project will have its own converter stations,¹ and at some point in the future the stations could be connected by AC lines to improve reliability.

2. **Entity Contact Information:** Name, mailing address, telephone number, facsimile number, and e-mail address of the entity's primary contact.

¹ Converter stations change alternating current ("AC") electricity to direct current electricity and vice versa.

John Dunn, Project Manager
Zephyr Power Transmission LLC
c/o TransCanada Corporation
450 1st Street S.W.
Calgary, AB
Canada T2P 5H1
Phone: (403) 920-5566
Facsimile: (403) 920-2340
john_dunn@transcanada.com

3. **Project Description:** Proposed transmission project description, including project termination points (one terminus must be within Western’s service area); proposed routing; minimum transfer capability; descriptions of any previous transmission planning work done for the proposed project (plan of service, cost estimates, schedules, project agreements, system studies, environmental reviews, siting activities, coordination with local and state governing officials, public and landowner involvement, etc.); and any other information that would be useful in evaluating the readiness of the proposed transmission project for development. The entity should also summarize any transmission planning forums, including organizational, subregional and regional forums, in which this proposed project has been discussed and the outcomes of those discussions, including completion of any transmission planning studies. The entity should also summarize any factors that would positively or negatively affect the entity’s, Western’s or other participants’ efforts to develop the proposed project.

Response:

A. General Project Description

The Project is a proposed 1,100 mile 500 kV, 3,000 MW high-voltage, direct current (“HVDC”)² electric transmission line, and appurtenant facilities, originating in the Medicine Bow area of Wyoming and terminating in the Eldorado Valley south of Las Vegas, Nevada. The

² The Project may include AC transmission segments to interconnect the HVDC lines with generation and load.

Wyoming and Nevada converter stations will each have 3,000 MW of capacity. An intermediate 750 MW converter station will be located near the existing Borah substation in Idaho to either inject generation onto the Project or to serve loads in southern Idaho. A Project map is included as Exhibit A hereto.

Each converter station will be interconnected with the AC grid and will be interconnected (either directly or indirectly) to Western's electric system. The Project will be a bi-directional system designed to normally transfer predominately wind energy from Wyoming to the rapidly growing loads in the Southwest. As well, the Project will be able to transfer energy to Wyoming or Idaho from Nevada should the need arise. The estimated capital cost of the Project is \$3 billion, and it is expected to be in service by late 2014. The Project will provide critical transmission infrastructure in the Western United States that will enable the large-scale development of environmentally attractive renewable generation projects in both Wyoming and Idaho.

B. Progress of the Project to Date

Zephyr, and its parent TransCanada, have already expended approximately \$6.5 million to initially develop both the Chinook and Zephyr projects, and it has made substantial progress. Zephyr believes that the Project is viable from a commercial, engineering, planning, routing, permitting and political perspective. Specifically, Zephyr has completed its initial project planning and engineering, including, but not limited to, preliminary route selection, conductor selection, line design, tower design, conductor selection, foundation design, technology assessment, and cost estimates. As Zephyr moves into the Environmental Impact Statement ("EIS") process under the National Environmental Policy Act ("NEPA"), alternative routes will be evaluated.

TransCanada has also made significant commercial and regulatory strides in the development of the Project. On February 19, 2009 the Federal Energy Regulatory Commission (“FERC” or “Commission”) issued an order granting Zephyr negotiated rate authority.³ In its Order, the Commission approved Zephyr’s commercial construct, which contemplates entering into a bilateral agreement with an “anchor customer” for 1,500 MW of capacity for a term of 25 years and holding an open season to subscribe the remaining 1,500 MW of capacity.⁴ As discussed in more detail below, Zephyr has already executed an initial development agreement with a creditworthy wind generator.

1. Project Routing and Siting

Zephyr has selected the preliminary route for the Project based on extensive consultation with applicable federal, state, and county representatives, including meeting with Federal agencies to utilize existing or proposed corridors on Federal lands. Zephyr has also spent several years developing a proposed route that avoids populated areas, military bases and other environmentally sensitive areas. In particular, the preliminary route maximizes the use of Federal lands along the route (over 75% of the route is on Federal lands) and takes advantage of existing designated corridors. Zephyr has submitted its formal right-of-way application to the U.S. Bureau of Land Management and has initiated agency consultation on environmental compliance, as well as consultation with the appropriate state and local permitting agencies along the route. Zephyr has also met with all of the County Commissioners along the route.

2. WECC Regional Planning and Path Rating

Zephyr has presented its plans to construct the Project in several Western Electricity Coordinating Council (“WECC”) and sub-regional planning forums. Zephyr has initiated the

³ *Chinook Power Transmission, LLC, et al.*, 126 FERC ¶ 61,134 (2009) (“*Order*”); see also FERC Press Release, February 19, 2009, attached hereto as Exhibit B.

⁴ *Id.*

WECC Regional Planning process, and the first meeting is schedule for April 22, 2009 in Las Vegas, Nevada.⁵ This process provides an opportunity for all stakeholders to cooperatively provide input to the proposed system configuration. Subsequently, Zephyr will initiate WECC's "Three Phase Rating Process," which will address the reliability impacts of the Project by, among other things, identifying transmission capacity ratings and reliability operating conditions and how the project will best interconnect with the existing grid in the Western Interconnection. The Project is also included in the Northern Tier Transmission Group's ("NTTG") Annual Planning Report.

3. Utility Interconnections

Zephyr has initiated interconnection discussions with the major investor-owned utilities ("IOUs") that are located in the states and regions where the Zephyr Project will be constructed. Zephyr intends to work with each of these IOUs to develop transmission-to-transmission interconnection agreements. Zephyr has had an initial meeting with Western and intends to begin interconnection discussions shortly.

4. Commercial Support

Zephyr also believes that it has substantial commercial support for the Project. During the four years of initial development of the Project, Zephyr has engaged in extensive discussions with numerous prospective customers with a view to establishing commercial support from creditworthy counterparties for the Project. Throughout this process, TransCanada identified and entered into confidentiality agreements with over thirty parties, mostly developers of wind energy projects. These discussions confirmed a strong need for the Zephyr Project: generation developers in resource rich Wyoming were interested in a new transmission project that could

⁵ *WECC Overview of Policies and Procedures for Regional Planning, Project Review, and Progress Reports*, April 2005.

link their proposed projects with distant load, and markets in the Southwest and California are eager for access to new generation resources.⁶ Zephyr also believes that it has a sound commercial construct that makes the Project financially viable, and therefore that Western can reasonably expect to recover any revenues from the Project to meet its financial repayment obligations.

C. Next Steps

Zephyr is currently finalizing its proposal for an open season, which is scheduled to commence in May, 2009. Zephyr is currently preparing a Precedent Agreement and all of the necessary documents for the open season. Zephyr expects the open season to conclude in June, 2009.

After completing the open season, Zephyr will be in a position to: commence the three-year processes for obtaining the appropriate local, State and Federal permits and approvals, including those dealing with land use, wildlife, cultural and historic resources; continue work with the WECC to secure a path-rating. Through the permitting phase Zephyr will conduct front-end engineering and design (“FEED”) work with a view to secure regulatory approvals so that the Project is ready for material procurement, land acquisition, and construction. Zephyr expects to complete these processes and begin construction in 2012, which should result in the Project commencing commercial operations in late 2014.

4. **Renewable Resource Description:** Description of the renewable energy resources for which the proposed project would facilitate delivery, including the relationship, if any, between the proposed transmission project and the renewable resource(s), the type(s) of renewable resource, size and general location of the resource, schedule for resource development, general location of load or markets, availability of generation-related ancillary services, a description of

⁶ For additional detail on commercial support, see Zephyr’s response to Question 11.

the entity's involvement in the renewable energy resource, any commitments to purchase the resulting energy and capacity from the proposed renewable resource and any other information that would be useful in evaluating the proposed transmission project.

Response: There is significant renewable energy potential for developing major wind projects in Wyoming. This is confirmed by the US National Renewable Energy Laboratory ("NREL"). Depending on how this potential is ranked, the wind potential in Wyoming is considered some of the best in the US and also in the Western Interconnection (see Exhibit C attached hereto). The demand for these resources is increasing, as states increase their Renewable Portfolio Standards for renewable energy. For example, California is now required by Executive Order S-14-08 to obtain one-third of their electricity from renewable sources by 2020. Initial estimates of this figure place the need for new renewable energy resources in excess of 20,000 MW.

Policy makers recognize that these types of renewable energy cannot be developed without major transmission to link the best and distant renewable energy resources to the load areas of the West. As previously noted, the Zephyr Project would serve to link wind generation projects in these wind-rich resource areas to load centers in the Southwestern United States. Based on Zephyr's extensive market discussions, Zephyr believes it is likely that most, if not all, of the Project's capacity could be fully subscribed in the open season by wind developers. Zephyr is under confidentiality agreements with all of the major wind developers in Wyoming and, therefore, is not free to disclose, at this time, the identity of the anchor customer or any other potential customer. As already noted, Zephyr is not affiliated with any developers of the potential renewable resource that may subscribe in Zephyr's initial open season. The transmission rights for 1,500 MW of capacity will be offered for the transmission of energy. The

specific rules for the open season, detailed bidding guidelines, the Project's *pro forma* OATT, indicative rate, and the precedent agreement, will be posted on Zephyr's internet website.⁷

5. **Interconnection Request:** If the proposed transmission project involves an interconnection request, please also note if the entity or resource developer has already requested an interconnection with one or more transmission facility owners, Regional Transmission Organizations, Independent System Operators or any other relevant entities, and the status of that request, including queue position and estimated date the transmission facility owner(s) expects to be ready to provide transmission service.

Response: Zephyr will provide transmission service to primarily renewable energy generators, who will secure their interconnection requests either by virtue of being the anchor customer or in Zephyr's open season. As a transmission provider, Zephyr will require transmission-to-transmission service interconnections, and Zephyr is in discussions with the affected IOUs and other transmission owners regarding these interconnections. Zephyr intends to work with each of these parties to develop transmission-to-transmission interconnection agreements. Zephyr has had an initial meeting with and intends to begin interconnection discussions with Western as soon as reasonably practicable.

6. **Transmission Rights and/or Transmission Service:** Amount of transmission rights or long-term transmission service the entity may desire if and when the project is completed.

Response: Zephyr will provide 3,000 MW of much-needed transmission service to primarily renewable electric generation projects in Wyoming when it is completed. This transmission service will facilitate significant wind energy development in Wyoming by

⁷ This information will be provided subject to potential customers executing the appropriate confidentiality agreements.

providing a transmission pathway from the remote Wyoming resources into the load areas in the Southwestern United States.

7. **Participant Roles:** The proposed roles that the entity, Western and any other project participants might play in the development, ownership and operation of the proposed project.

Response: As previously noted, Zephyr is flexible in its approach to exploring various potential opportunities related to the Project with Western, and Zephyr looks forward to a continuing dialogue with Western. Zephyr proposes the following initial topics for discussion with Western (in no priority order). Zephyr believes the implementation of one or more of these proposals would significantly contribute to Western meeting its objectives under Section 402 of the Act to construct, finance, plan and operate new transmission in the West that facilitates delivery of power from renewable energy. Because Zephyr has already laid much of the groundwork for the Project, Zephyr is ready to engage with Western immediately to discuss these and potentially other opportunities. Zephyr is open to discussions with Western regarding how Western and Zephyr might best work together going forward and sees this initial SOI as the vehicle to begin these discussions.

A. **Western partially funding the preconstruction phase of the Project**

Under this proposal, Western would provide a loan to fund half of Zephyr's preconstruction phase (permitting, WECC path rating, FEED and other preconstruction activities), contingent upon Zephyr and Zephyr's customers funding the other half of this phase. Although costs estimates for the preconstruction phase are not yet final, Zephyr initially estimates the entire preconstruction phase to cost approximately \$70 million, with Western funding approximately \$35 million. This approach would allow Western to significantly leverage its borrowing authority in support of this critical power transmission project. It would be advantageous for Western to make an initial smaller matching commitment of its borrowing authority in the early stages of the Project to leverage \$3 billion in private sector transmission investment to serve renewable energy projects than to use this borrowing to finance an entire transmission project. Zephyr believes that Western should find this type of leveraging quite

attractive in stretching its initial allocation of dollars in borrowing authority given under the Act while still achieving the Congressional goal of building new transmission in the West for renewable energy. Once the Project is fully subscribed, Zephyr foresees no need for using Western's borrowing authority to finance the cost of construction of the Project (i.e., approximately \$3 billion). Zephyr is not asking Western to be an equity participant in the Zephyr Project.

B. Western acquisition of capacity on the Zephyr Project

Western could subscribe to transmission capacity on the Project through Zephyr's open season process planned for May of this year. During the open season, Western could submit a bid for, and be awarded up to, 1,500 MW.

C. Western project permitting and right-of-way acquisition for the Zephyr Project

Should Western secure capacity on the Zephyr Project, Zephyr proposes to work with Western to utilize its authority to permit and secure rights-of-way for the Project.

D. Western facilitation and/or development of a renewable energy trading and control hub in the Eldorado Valley in Nevada

Zephyr proposes to work with Western, and with the cooperation of other transmission and market participants, to stimulate the delivery of renewable energy resources from resource-rich states such as Wyoming to the desert southwest and California through the creation of a renewable energy trading and control hub in the Eldorado Valley. Western, or an independent party funded by Western, could consolidate the existing substations in the area under one electrical, trading, and control hub configuration. Both Zephyr and Chinook's DC converter stations, each of which would deliver 3,000 MW of new renewable resources into the area, would both be an integral part of this hub. Zephyr believes the creation of such a hub would make a substantial contribution toward establishing a new paradigm necessary for the Western

Interconnection to integrate renewable and intermittent energy resources and would directly contribute to the achievement of federal and state goals to promote renewable generation. Zephyr is willing to partner with Western in studying this renewable hub construct in the Eldorado Valley. Zephyr's preliminary estimate of the cost to study this option, including power system studies and creation of a physical, commercial and operating plan, is approximately \$4 million.

E. **Western provision of control area and balancing services to the Project**

Under this proposal, Zephyr and Western would explore the possibility of Western offering control area and balancing authority services for the Zephyr Project.

F. **Western development of a renewable energy collector system in Wyoming**

Generators will need AC collector systems to bring renewable energy from wind generator developments to Zephyr's HVDC converter station. Western could facilitate the development of renewable energy collector systems in cooperation with local utilities, wind generators, and Zephyr.

G. **Western funding of study to "supersize" the Zephyr Project**

Western could fund initial study efforts aimed at the feasibility of "supersizing" the proposed 500 kV HVDC Project to a design that would be convertible to an 800 kV HVDC design. Initial studies would cost approximately \$10 million. These studies would include the investigation of the technology, its costs, implications and the risks of initially permitting and building the 500 kV project to handle a future upgrade to 800 kV, and the implications to and changes that would be required in the WECC path rating process to accommodate an 800 kV HVDC line in the Western Interconnection. Such a study would address the concerns that Federal land management agencies and governors have expressed to proposed major interstate transmission projects to enlarge the scope of their projects. Additionally, a larger project would

have the capacity to carry more renewable and other generation to load centers, thus advancing the goals of the Act.

8. **Public Interest:** A brief description of how the project is in the public interest, including, but not limited to, advancing the purposes of the Recovery Act.

Response: Zephyr believes that its proposed transmission line will significantly contribute to advancing Western's goals in implementing the Act. Western is granted its new borrowing authority in the Recovery Act for purposes of: "(i) constructing, financing, facilitating, planning, operating, maintaining or studying construction of new or upgraded electric power transmission lines and related facilities with at least one terminus within the area served by the Western Area Power Administration; and (ii) delivering or facilitating the delivery of power generated by renewable energy resources constructed or reasonably expected to be constructed after the date of enactment of this section."

The Project is being developed in response to a need for significant new transmission capacity to link proposed wind generation projects in resource-rich wind areas of Wyoming to load centers in the Southwestern United States. The Project will provide substantial benefits to the western power grid. It will also promote both national and state policy goals of facilitating construction of new renewable energy generation and new transmission facilities. A primary focus of the US Congress has been to encourage the development of: (1) new electric transmission facilities; and (2) renewable energy, such as wind generation projects. The Project will further both of these important goals by providing 3,000 MW of new transmission capacity in order to deliver much needed, renewable energy from new wind generation projects in Wyoming to major load centers in the Southwestern United States.

The Project is slated to terminate south of Las Vegas, but it will provide substantial benefits to Southwestern markets in general. For example, Zephyr understands that significant,

existing “backhaul” capacity could transmit energy from the Project into Phoenix, Arizona. Similarly, the Project will play a significant role in helping Southwestern states (and California) meet their renewable portfolio standard (“RPS”) requirements.⁸ Connecting high-quality Wyoming wind resources with markets in the Southwestern states will provide customers with long-term and stable electricity prices and a lower-cost option to meet RPS standards.

In addition to the benefits that the Project brings to the Western Interconnection by delivering 3,000 MW of renewable energy into the Southwest United States, the Project will create important employment, tax, and investment benefits. The line itself will cost \$3 billion to build, but this investment will enable approximately another \$6 billion in new investment in the renewable energy projects that will be built to use the line. The construction of both the transmission lines and the related generation plants in the economically depressed rural areas of Wyoming, Idaho and Nevada will create significant new employment opportunities. These jobs will last for several years during construction, and there will be ongoing maintenance and operations jobs once the Project and the wind generation projects are in-service. There will also be significant steel and manufacturing sector employment associated with manufacturing the transmission towers, conductors, converter stations, and associated wind turbines and towers. Finally, jobs will be created in the short term in order to accomplish permitting activities, WECC path rating and the engineering necessary for the Project. Zephyr also will provide a significant boost to the tax bases of the rural areas along the route of the transmission system without requiring any services from these local governments.

⁸ On November 19, 2008, in an effort to reduce carbon emissions, California’s Governor Arnold Schwarzenegger signed an executive order requiring the State’s utilities to obtain one-third of their electricity from renewable sources by 2020. *See* Cal. Exec. Order No. S-14-08 (2008).

9. **Prior Experience:** A brief description of the entity's prior experience related to constructing, financing, facilitating or studying construction of new and/or upgraded electric power transmission lines and related facilities for the primary purpose of delivering or facilitating the delivery of power generated by renewable energy resources constructed or reasonably expected to be constructed.

Response: With more than 50 years' experience, Zephyr's parent company 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 and liquefied natural gas facilities. TransCanada's network of wholly owned pipelines extends more than 36,500 miles, tapping into virtually all major gas supply basins in North America. TransCanada's core business is building and operating major linear infrastructure with the engineering, regulatory, permitting, landowner and operational skills to own and operate this linear infrastructure. TransCanada owns, operates, or controls nineteen (19) power plants with over 11,000 MW of generation capability in North America.

TransCanada is well positioned to develop the Zephyr Project. It is a strong fit with TransCanada's strategy of connecting energy supplies to markets, and growing its power business through investments backed by long-term contracts with quality counterparties. As a leading energy infrastructure company in North America, TransCanada's significant financial strength, regulatory, power asset and large infrastructure experience, combined with its strong knowledge of energy markets and our existing relationships with key markets and stakeholders, make TransCanada the developer of choice for major energy infrastructure projects. TransCanada is currently constructing the 132 MW Kibby Wind power project in Maine, which will consist of 44 wind turbines. In 2008, TransCanada also acquired and now operates the Ravenswood facility, a 2,480 MW multiple unit generating facility in New York state, at a cost

of approximately \$2.9 billion. TransCanada is currently close to completing several large infrastructure projects in North America: the first phase of the Keystone oil pipeline which serves the Midwest and Gulf Coast (final cost expected to be \$12 billion when completed in 2012); Portlands Energy Center & Halton Hills Generating Station (approx. \$800 million combined) and; the refurbishment of two nuclear reactors at Bruce Power (\$2.7 billion). TransCanada has recently commenced work on the Coolidge Generating Station in Arizona (approx. \$0.5 billion) and the North Central Corridor expansion of its Alberta system (approx. \$714 million).

Driven by market fundamentals, TransCanada has been working on Zephyr for several years. Since that time, it has received positive feedback from power generators, particularly those wanting to build large scale, environmentally attractive renewable energy generation in areas that do not have access to the market. Without transmission, these attractive generation projects will not proceed.

TransCanada has facilities in thirty-two states and has more employees in the United States than in Canada. TransCanada holds a very strong complement of regulatory, legal, land, finance, engineering and operations personnel suitable for developing the Project.

10. **Financial Capability:** Verifiable information demonstrating that the entity is in sound financial condition and has the ability to secure the necessary financing to meet the project's requirements now and in the future. The entity's financial capability and any other responsibility determinations will be reviewed for stability and adequacy to meet its long-term capital and cash needs to carry out its role in developing the proposed project. Entities may use the financial capability information request outlined on the attached form in determining what information will meet the demonstration of verifiability. If the entity plans to secure financing from an

outside source, an official letter from the financier confirming the financial arrangements will be required.

Response: Zephyr is a wholly owned indirect subsidiary of TransCanada PipeLines Limited (“TCPL”) which is a wholly owned indirect subsidiary of TransCanada Corporation. TCPL is rated A- by Standard and Poor’s and A3 by Moody’s Investor Services. Since 1999, TransCanada Corporation and its subsidiaries have invested \$19 billion in energy infrastructure projects across North America. TransCanada has demonstrated even in the current credit constrained environment that it can raise funds to meet new project and existing business requirements.

For example:

1. August 2008, raised \$1.5 billion senior debt (10 and 30 year) and \$397 million senior debt (5 year).
2. November 2008, raised \$900 million in common equity issue.
3. December 2008, put in place \$1.0 billion Keystone committed credit facility.
4. In January 2009, TCPL completed an offering of \$750 million of 7.125 percent senior notes and \$1.25 billion of 7.625 percent senior notes to partially fund capital projects and pay off debt.
5. February 2009, \$556 million senior debt (5 and 30 year).
6. TCPL has approximately \$1.6 billion in unutilized bank credit facilities.

In addition to these financing facts, a review of TransCanada’s financials will demonstrate a balance sheet and income statement able to finance and carry out the proposed power transmission projects. Please see Zephyr’s credit application attached hereto for further detail.

11. **Participation of Other Entities:** A brief description of any steps the entity has taken to seek interest from other entities in participating in developing the proposed project or in seeking interest in subscribers for the additional transmission capacity resulting from the proposed project.

Response: Zephyr has taken many steps to seek interest in subscribers for the transmission capacity resulting from the proposed Project. In August of 2008, Zephyr solicited and received non-binding expressions of interest for service on the Project from a number of potential customers. These initial expressions of interest demonstrated that wind developers in Wyoming are very interested in the Project. Zephyr subsequently provided indicative rates to interested parties, and offered them an opportunity to perform “due diligence” on the Project. Based on the above, Zephyr entered into an initial development agreement with an “anchor shipper” who is a creditworthy wind generator interested in pre-subscribing 1,500 MW of the Project’s capacity and sharing in the initial development costs of the Project. As stated above, FERC approved this commercial construct on February 19, 2009.

The precedent agreement that is in final negotiations with the anchor customer will commit the anchor customer to contract to pay negotiated rates for 1,500 MW of guaranteed firm transmission capacity over a minimum term of 25 years. In return, the anchor customer will receive a guarantee that its capacity will not be subject to pro-ration in the open season. A wind generator’s commitment for 1,500 MW of transmission capacity signals a major commitment to the Project and guarantees, at a minimum, at least half of the line’s capacity will be used to transmit renewable resources. Zephyr also intends to conduct an open season shortly, and, based on its numerous discussions with major wind generators in Wyoming, Zephyr expects that numerous other wind generators will participate in the open season.

12. **Other Information:** A brief description of any other information that would be useful in evaluating the SOI.

Response: The HVDC technology to be employed by the Project will also provide substantial benefits. HVDC is the most cost-effective, efficient and environmentally favourable means of moving large quantities of electricity over long distances (500 miles or more) due to lower line costs, fewer energy losses, and smaller towers compared to AC systems. It also makes the most efficient use of increasingly scarce transmission corridors in the Western United States. Furthermore, HVDC is well suited to manage the variability of wind generation, complements the adjacent AC systems by improving grid reliability and security of electricity supply, and facilitates the development of high-quality, remote renewable resources.

**WESTERN AREA POWER ADMINISTRATION
CREDIT APPLICATION**

Complete all sections of this form and submit to:

Western Area Power Administration
ATTN:
P.O. Box 281213
Lakewood, CO 80228-8213

Date: **4/3/2009**

Applicant Name (Customer): **Zephyr Power Transmission LLC**

Address: **450 - 1 Street S.W.
Calgary, Alberta T2P 5H1**

Type of Service Requested:

Expected Monthly Business:

DUNS Number: NA (see below)

Credit Rating (if applicable): **Proposed guarantor: TransCanada PipeLines Limited A-
(S&P), A3 (Moody's)**

Credit Manager or Point of
Contact: **Ken Nichols, Director US Credit and Risk
1500 SW 5th Ave, 9th Floor
Portland, OR 97210
503 833 4123**

Phone: **503 833 4123** Fax: **503 833 4927** Email: **Ken_nichols@transcanada.com**

Is your company a subsidiary or affiliate of another company? Yes No

If Yes, please provide information on the related company:

Company Name: **TransCanada PipeLines Limited**

Address: **450 - 1 Street S.W.**
Calgary, Alberta T2P 5H1

DUNS Number: **20-177-2480**

Does your company plan to establish credit with a guarantee from the
related company listed above? Yes No

If Yes, all required information necessary for credit qualification is needed from the company
guaranteeing credit.

Public Power Entities (not-for-profit): N/A

Is your company a not-for-profit entity (governmental entity)? Yes _____ No **X** _____

If your company is a not-for-profit entity, is it backed by the full faith and credit of a governmental entity (United States, state government or other government, as applicable)?

Yes _____ No _____ If Yes, state type of governmental entity and provide evidence:

If your company is a not-for-profit entity, do you have the ability to raise rates to cover outstanding obligations? Yes _____ No _____

Provide any material issues/changes that could impact the viability of the Transmission Customer and/or the credit decision including, but not limited to, litigation, investigations, arbitrations, contingencies, liabilities and affiliate relationships which have occurred within the past year.

Non-Public Power Entities:

To enable the Transmission Provider to conduct the proper analysis required to determine creditworthiness, the information below must be submitted with the Credit Application.

1. Rating agency reports (if applicable). See enclosed reports from S&P and Moody's related to TransCanada PipeLines Limited.
2. The most recent two quarters of financial statements signed by the company controller or other authorized company officer and the most recent two years of audited financial statements. Financial statements should include, but not be limited to:
 - a. Annual report
 - b. Balance sheet
 - c. Income statement

- d. Statement of cash flows
- e. Management's discussion and analysis
- f. Report of independent auditor and accompanying notes for the Annual report, 10K, 10Q or 8K, as applicable

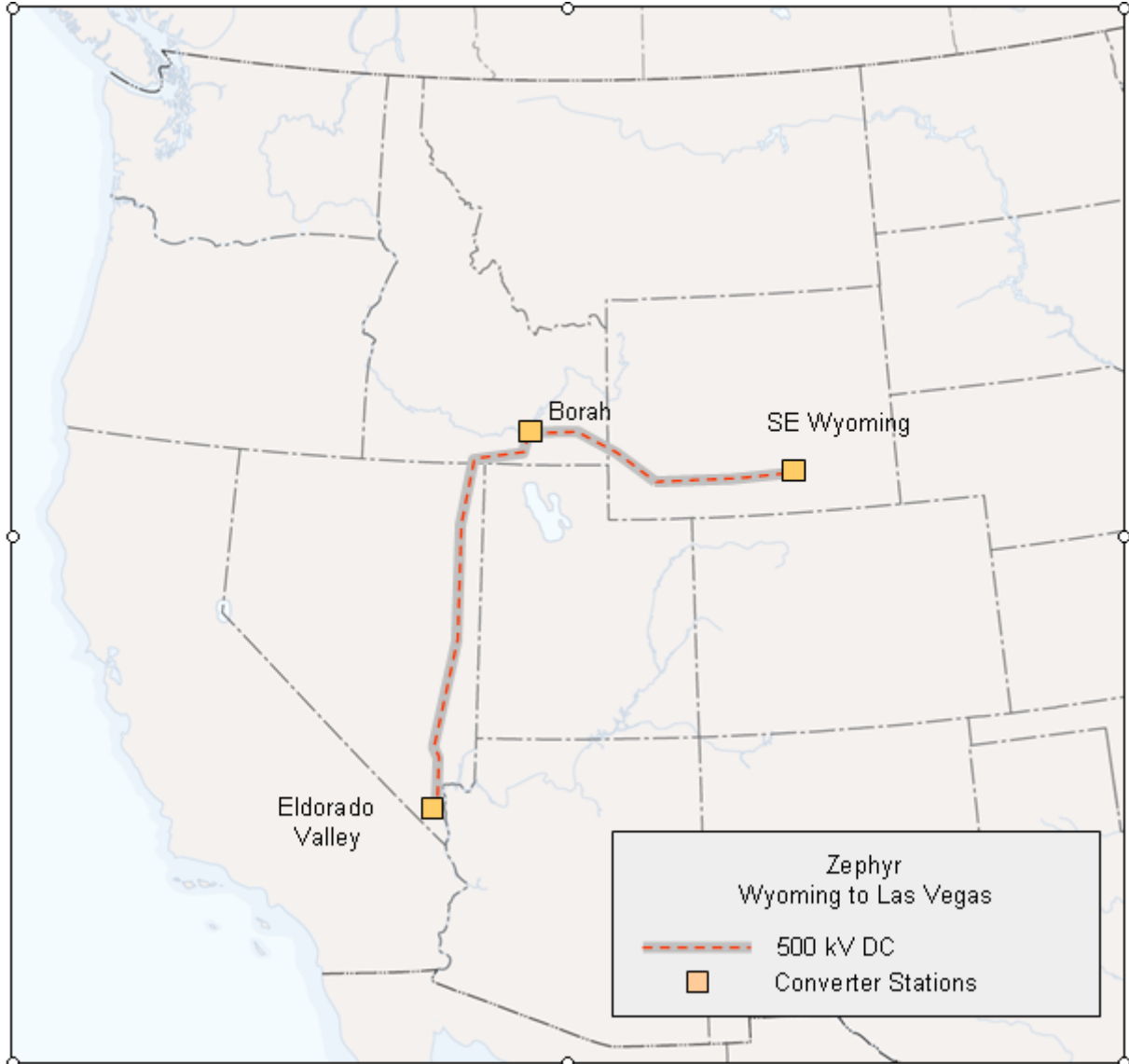
See 2008 TransCanada PipeLines Limited Annual Report provided as a hyperlink to the TransCanada website in the submission email.

- 3. Material issues that could impact the viability of the Transmission Customer and/or the credit decision including, but not limited to, litigation, investigations, arbitrations, contingencies, liabilities and affiliate relationships which have occurred since the last audited financial statements.

See 2008 TransCanada PipeLines Limited Annual Report provided as a hyperlink to the TransCanada website in the submission email.

Note: The Transmission Provider may request additional information as it determines is necessary and appropriate for the credit evaluation.

**EXHIBIT A
PROJECT MAP**





FEDERAL ENERGY REGULATORY COMMISSION

February 19, 2009

Docket Nos. ER09-432-000, ER09-433-000

NEWS MEDIA CONTACT

Barbara A. Connors - 202.502.8680

FERC Signals New Flexibility in OK of Rates for Renewable Energy Transmission Projects

The Federal Energy Regulatory Commission (FERC) today approved rates for two innovative transmission projects that will deliver wind-generated electricity from Montana and Wyoming to consumers in Nevada and other Southwestern states.

Approval of the rates for Chinook Power Transmission, LLC (Chinook) and Zephyr Power Transmission, LLC (Zephyr) for their 1,000-mile projects from wind farms in the Northern Rocky Mountains to a point near Las Vegas, Nev., marks a new flexibility in FERC policy directed at merchant transmission projects.

Merchant project developers assume all market risk, with no set pool of customers from which they may recoup project costs. FERC's new policy will allow Chinook and Zephyr to use an "anchor" customer model, in which each developer contracted with a wind generation company for half of the capacity on its line.

"Consumers will benefit from this type of pioneering thinking, because it will expand our transmission grid's capacity to enhance development of our nation's renewable energy potential," FERC Acting Chairman Jon Wellinghoff said.

Chinook plans to build a 1,000-mile, 500 kV high voltage direct current transmission line from Harlowtown, Mont., to a point south of Las Vegas, while Zephyr has proposed a 1,100-mile, 500 kV high voltage direct current transmission line from Medicine Bow, Wyo., to a point south of Las Vegas. Both lines are expected to be in service by 2014 and will run parallel over significant portions of their routes. Chinook and Zephyr are wholly owned subsidiaries of Northern Lights, Inc., itself a wholly owned, indirect subsidiary of TransCanada Corporation.

EXHIBIT C
AMERICAN WIND ENERGY ASSOCIATION
Developable Nameplate Wind Power Production Potential by Class (MW)

States in AWEA's top 10 considering "developable" Class 6 & 7 Wind	Total Developable Potential, Class 6 & 7
WYOMING	57,040
Montana	15,620
South Dakota	12,210
Texas	1,130
North Dakota	940
Nebraska	60
Oklahoma	0
Kansas	0
Minnesota	0
Iowa	0
TOTAL	87,000

