



# Zephyr & Chinook

## Power Transmission Projects Updates

### Summer 2009

TransCanada would like to welcome you to the inaugural edition of the Zephyr and Chinook Projects, Power Transmission Updates. As these Projects move through the regulatory, permitting and construction phases, we intend to keep customers and key stakeholders updated through this newsletter. Other information about the Projects can be found at [http://www.transcanada.com/company/zephyr\\_chinook.html](http://www.transcanada.com/company/zephyr_chinook.html)

### Overview

TransCanada continues to make significant commercial and regulatory strides in the development of the Zephyr and Chinook Projects. In 2009, TransCanada has focused on ensuring the Projects are viable from a commercial, engineering, routing, permitting and political perspective, with our recent efforts directed towards securing the commercial support for these Projects and preparing for the open seasons. We are also making significant progress in advancing all other aspects of the Projects necessary to get them built and operating.

### Commercial and Regulatory

On February 19, 2009, the Federal Energy Regulatory Commission (FERC) issued an order granting Zephyr and Chinook negotiated rate authority (see Project website). This was a precedent-setting order and the first time FERC has authorized merchant transmission developers the ability to bilaterally negotiate with an "anchor customer" for one half of the capacity on a transmission line. This order allowed Zephyr and Chinook to move forward with our proposed commercial construct, which contemplates entering into a bilateral agreement with an "anchor customer" for 1,500 megawatts (MW) of capacity for a term of 25 years and holding an open season to subscribe the remaining 1,500 MW of capacity.

The Project Team has been actively negotiating an expected anchor customer Precedent Agreement (PA) with a creditworthy wind generator for each Project. The executed anchor customer PAs will form the commercial template under which all customers bidding in the open season will secure capacity on each Project. Once the PAs with our anchor customers are executed, Zephyr and Chinook will proceed to open seasons.

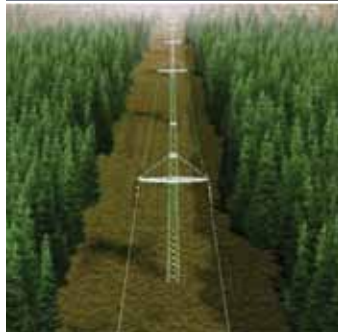
### Open Seasons and Bidders' Conference

Concurrent with the anchor customer PA negotiations, the Projects have been actively preparing for the open seasons for the remaining 1,500 MW capacity on each line. The open seasons will kick off with a Bidders' Conference in Las Vegas, Nevada and are expected to run for four to six weeks. In order to participate in the open seasons, bidders will need to establish creditworthiness, and interested parties are encouraged to contact our Manager, Counterparty Risk, Alan Montain at 403.920.2580 to expedite this process.

### Project Routing and Siting

Zephyr and Chinook have identified routes based on consultation with applicable federal, state, and county representatives, including meeting with federal agencies to utilize existing or proposed corridors on federal lands. The Projects have also spent several years developing a proposed route that avoids populated areas, military bases and other environmentally sensitive areas. In particular, the preliminary routes maximize the use of federal lands (over 75 percent of the routes are on federal lands) and take advantage of existing designated corridors.





The Project Team has initiated agency consultations on preliminary routing constraints as well as informal consultation with the appropriate federal, state and local permitting agencies along the routes. In particular, the Projects have been in consultation with the U.S. Bureau of Land Management (BLM), which has been designated the lead federal agency for permitting these projects. The BLM has recently been tasked by the new Obama Administration with expediting the permitting of new transmission lines for interconnecting renewable energy projects. The Project team has also met with county commissioners along the route of both projects.

## Western Electric Coordinating Council (WECC) Regional Planning and Path Rating

Zephyr and Chinook have presented their plans to construct the projects in several WECC regional and sub-regional planning forums. The Projects initiated the WECC Regional Planning process on April 22, 2009 in Las Vegas, Nevada. This process is required by WECC and allows all stakeholders to cooperatively provide input into any new proposed transmission system configuration. The Projects will release their final regional planning process report this summer for the required 60-day public comment period. At the close of this comment period, the Projects will begin WECC's "Three Phase Rating Process." This path rating process will address the reliability impacts of the Projects by, among other things, identifying transmission capacity ratings and reliability operating conditions and determine how the Projects will best interconnect with the existing grid in the Western Interconnection. The Projects are also included in the Northern Tier Transmission Group's Annual Planning Report.

## Engineering

Zephyr and Chinook have completed their initial project planning and engineering, including, but not limited to, preliminary route assessment, conductor selection, line design, tower design, conductor selection, foundation design, technology assessment, and cost estimates. Project plans have been reviewed by engineering consulting firms, who have provided detailed input into cost estimates. The Projects have completed several detailed cost estimates as they have evolved, including a most recent cost estimate updated in spring 2009. The estimates are based on input from the major high-voltage direct current transmission vendors and a review of project construction costs by a firm that specializes in transmission construction, and have been used to develop the illustrative rates that the Projects will provide to all potential bidders during the open seasons.

## Western Area Power Administration Application

Zephyr and Chinook responded to Western Area Power Administration's (Western) Solicitation of Interest as part of implementing \$3.25 billion in new borrowing authority authorized by Congress under the American Investment and Recovery Act (See Project website). The Projects are currently engaged in discussions with Western over authorizing the use of these funds for the Projects, with a specific focus on the possibility of developing a collector system in Wyoming that makes the most efficient use of Wyoming wind resources and transmission corridors.

## For further information, please contact:

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