



SALT RIVER PROJECT

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April 3, 2009

Transmission Infrastructure Program
Western Area Power Administration
P.O. Box 281213
Lakewood, Colorado 80228-8213

Re: Western Area Power Administration's (Western) Proposed Transmission Infrastructure Program – Comments on Proposed Practices and Policies

To Whom It May Concern:

Pursuant to Federal Register Vol. 74, No. 41, March 4, 2009, the Salt River Project Agricultural Improvement and Power District (SRP) offers the following comments on Western's proposed practices and policies to be used to implement the borrowing authority granted Western in Section 402 of the American Recovery and Reinvestment Act of 2009 (Recovery Act). SRP is both a customer of Western's as a contractor for federal hydro-power from multiple federal projects and a potential partner and/or customer of Western's under projects developed pursuant to this new authority. As such, SRP offers comments from both perspectives.

As an existing Western customer, SRP has significant interest in understanding how new facilities developed under this new program will be funded and accounted for from planning and evaluation through design, construction, on-going operations and maintenance, future rehabilitation and eventual retirement. Western must ensure that the costs borne by customers of existing projects are isolated and separate from any and all costs associated with all facets of projects under this new program. If Western elects to utilize existing staff to perform work associated with new projects, the time, overhead and expenses associated with that staff should be tracked and accounted for separately and the costs attributed to existing projects and customers should be adjusted and reflected in applicable project rates. Western must establish clear policies and procedures regarding the tracking and administration of costs and include processes that provide for consultation with existing customers and interested parties, and should include appropriate transparency and accountability.

In addition to proper cost accounting, Western must ensure that the rights, obligations and services associated with existing contracts are not diminished or harmed by new projects.

As required by the Recovery Act, new projects must be shown to be self supporting and not “lean” on existing Western facilities and resources. Western should develop criteria and procedures to make certain that new projects meet this requirement.

SRP offers the following additional comments regarding implementation of Western’s Transmission Infrastructure Program:

1. Expansion of the transmission grid will be critical to furthering the national goals of expanding the use of renewable resources, energy independence, and the security and reliability of electric service. SRP applauds Congress and Western, and supports the development and implementation of this program.
2. As recognized by Western, the use of partnerships and joint participation will help to maximize the value and impact of the funds available through this program. To achieve this, SRP believes there should be an affirmative obligation for Western to actively seek and invite participation and joint ownership.
3. To provide guidance to potential project participants, Western should develop guidelines regarding acceptable forms of joint ownership, participation, long-term contracts, opportunities for future ownership, etc.
4. Regarding opportunities for participation, both the Recovery Act and Western’s Federal Register notice include a principle that suggests participants will be provided an opportunity to operate and maintain facilities developed under this authority. Western should actively solicit interest from project participants to provide O&M services and should support such provision of services if it can be done reliably and economically.
5. While Western is seeking Requests for Interest under a separate Federal Register notice to identify potential projects for the program, it is not clear how potential purchasers of transmission service will request access. Is access to service under this program outside of Western’s Open Access Transmission Tariff? Western should develop clear procedures defining how to access and contract for services from facilities developed under this program.
6. To ensure the most effective use of limited transmission corridors and the most widespread benefits, Western should establish procedures that ensure projects pursued under this program are consistent with regional and sub-regional transmission plans and are developed through and in accordance with the applicable regional planning processes.
7. This program includes both new facilities and upgrades to existing facilities. Western must establish procedures for developing the rate structure and rates for new facilities, and must establish procedures to define how costs and benefits will be divided between existing project rates and customer and new users for upgrades to existing facilities (see comments from existing customer perspective above).
8. While new transmission projects may be developed to directly interconnect with renewable generation facilities, it is important to recognize that upgrades to existing facilities may be required to deliver those resources to load. Western should recognize the value and importance of existing system upgrades that can facilitate

the delivery of renewable resources that may be delivered to the existing system over transmission developed outside this Western process.

9. Western's procedures for response to the Request for Interest include a requirement for respondents to provide credit information. Although this program is primarily related to Western providing funding through this new borrowing authority, it will be important for Western to understand and carefully manage the financial risks associated with counterparties and partners. Western should explain how respondents' credit information will be factored into the evaluation of potential projects for funding.

As a member of the Colorado River Energy Distributors Association and an Associate Member of the Irrigation and Electrical Districts Association of Arizona, SRP also endorses and supports the comments submitted by these organizations.

SRP appreciates the opportunity to provide input to this process and looks forward to working with Western as this program moves toward implementation.

Sincerely,



Mark S. Mitchell
Supervisor, Regulatory Affairs & Contracts

cc: Leslie James, Colorado River Energy Distributors Association
Robert S. Lynch, Irrigation and Electrical Districts Association