April 1, 2009

Mr. Timothy J. Meeks
Administrator
Western Area Power Administration
Via email: txprogram@wapa.gov

RE: Written Comments on the Notice of Proposed Program and Request for Public Comments (74 FRN No. 41, March 4, 2009) ("Notice")

Dear Mr. Meeks:

K. R. Saline & Associates, PLC is a consulting engineering firm that represents many of Western Area Power Administration's ("Western") customers. We are writing today on behalf of several clients in the Desert Southwest Region[1].

We have intimate understandings of the federal transmission system ("FTS") managed by Western, including power scheduling, transmission scheduling, contracts, rates, technical plans, and Statutory Project obligations. As a customer representative, we have helped Western develop its Open Access Transmission Tariff and many Western contracts. Our transmission group has analyzed many portions of the transmission systems which interconnect the western states, including FTS facilities, renewable generation interconnections and regional transmission expansion plans.

We are providing these comments to assist Western in its implementation of the American Recovery and Reinvestment Act of 2009 ("ARRA"). We believe many benefits can accrue from ARRA to the transmission interconnection, renewable resource development, Western's customers and the general public, if Western prioritizes planning and construction of new transmission facilities that will:

a) rebuild and expand the transfer capabilities of the FTS wherever possible to create new renewable energy delivery capability and ensure access to renewable resources for Western's customers, thus expanding renewable markets by connecting more utilities, utilizing existing rights-of-way, and streamlining planning and construction of new facilities;

[1] Aguila Irrigation District, Buckeye Water Conservation & Drainage District, Electrical District No. Seven of Maricopa County, Electrical District No. 8 of Maricopa and Yuma Counties, Harquahala Valley Power District, Maricopa Water District, McMullen Valley Water Conservation & Drainage District, Roosevelt Irrigation District, and Tonopah Irrigation District.

b) relieve existing congestion between load areas, and route new projects so as to interconnect regional markets, thus reducing current interstate transfer limitations that impact regional market prices, limit renewable resource development, limit options for customers to purchase renewable energy and create transmission pricing hurdles;

c) create new regional market hubs, wherever possible, to enable renewable market development. Any projects that expand transmission access into trading hubs or create trading locations without causing pancaking should be encouraged (*e.g.*, connect to and expand Palo Verde/Hassayampa hub; make new connections enabling Market Place, Mead, McCullough, and Eldorado to become a regional hub; connect Western's transmission lines into the proposed California Midpoint substation, which can create a regional trading location between the CAISO and other utilities in the middle of a significant solar development area). The creation of trading locations where several separately owned transmission systems interconnect, and hubs where transmission pancaking is eliminated between geographically similar substations, will significantly improve the long-term bilateral and real-time market access and efficiency for renewable energy in the region irrespective of which transmission system is used to move energy to or from the markets or hubs. As an example, we have attached a map of the Arizona area which reflects areas where additional transfer capability is needed for renewable energy. The dashed lines are not meant to modify or duplicate existing conceptual plans, but are provided to identify the paths where upgrades are needed whether by existing utilities, Western, or other developers to provide a robust delivery and interstate transfer system to accommodate large renewable energy development and access to markets.

The FTS crosses many regions of the western states where renewable energy exists or needs to be transmitted to provide regional access to the prospective renewable resources. Many of the renewable energy zones are identified through NREL and regional processes. The rights-of-way associated with the FTS crossing those zones are tremendous federal and public assets, and every opportunity should be examined to utilize and expand these rights-of-way to enlarge the existing transmission facilities or corridors.

Additionally, significant regional transmission expansion planning efforts by regional utilities pursuant to FERC Order 890 have identified many preferable routes and projects needed in the western interconnection. By building upon these other efforts, Western should minimize confusion and accelerate the process for planning and constructing the most effective new facilities.

Unfortunately, Western's limited budgets, prior to ARRA, have narrowed the scope of Western's plans for enlarging Western's facilities to 500 kV, and have limited examination of the benefits such FTS expansion could provide in relationship to the other regional planned projects. That recent lack of funding has limited Western's participation and planning opportunities. Many of Western's existing facilities could be expanded to 500 kV to create additional transfer capabilities which complement, augment, and/or enhance other regionally planned facilities. We believe that while Western may be inundated with requests to build "new lines in new routes", a greater opportunity may exist for Western to examine expanding its <u>existing</u> corridors to create needed new interstate transmission capacity where expansion of such FTS corridors was not previously considered.

We believe the following process components may help Western identify the best use of its ARRA funds and authority:

a) Examine upgrading the FTS system and examine the additional transfer capability created by such upgrades (*e.g.*, what if Western's lines were all 500kV?). Examination of the electrical capabilities of expanding the FTS system to increase regional transfer capability may provide significant new transmission capacity for renewable resource delivery in certain regions.

b) Examine participation in and potential modification of existing regional conceptual plans. In the planning of many regional projects, the FTS facilities may have been overlooked due to Western's limited budget to fund such projects; yet the FTS facilities may very well avail critical regional corridors and locations that are preferable for upgrading when compared to other conceptual transmission plans. Western should also examine participation opportunities in existing, already vetted transmission plans and projects of regional utilities, using creative approaches (*e.g.*, purchasing capacity for renewable deliveries.). Western may determine that ARRA funds can provide sufficient timely financial assistance to cause existing transmission projects to be accelerated, sited and constructed to achieve ARRA goals.

c) Vet Western's conceptual plans through recently prepared regional transmission planning processes to create opportunities for participation by other utilities, combination of projects, and finding the necessary financial participation to enable actual construction of projects. Western's ARRA funding for renewable energy delivery may be the critical missing catalyst that will cause regional projects to move forward.

d) Examine potential Western partnerships with other regionally planned transmission projects in order to use Western's federal authority for accelerated routing, siting, and permitting (like COTP); and use ARRA funds to expedite permitting and construction of such projects and thereby accelerate renewable energy development. Western's participation using its ARRA funding, federal permitting authority, and additional FTS connections could expand renewable resource interconnection points (using the FTS as a collecting system), and could expand the interstate delivery capability by acquiring ARRA funded rights in other transmission projects, all to provide interstate capacity allowing efficient market access for renewable resources.

In recent years, regional utilities have worked to implement FERC Order 890 principles for regional planning and open season opportunities for Load Serving Entities (LSEs) to own rights in the new transmission projects. We strongly believe Western should take advantage of these achievements and vet all new transmission projects through such processes. Many LSEs have been limited in their ability to fund new transmission capacity in excess of their needs solely for Native Loads. Although this typically includes 10-20 years of planned load service needs in transmission projects, it is very difficult for LSEs to ask their retail customers to pay for enlarging the interstate transmission system or to plan for unknown renewable resources.

Western's ARRA funding creates a tremendous opportunity to start with the already identified LSE needs, plus the renewable energy zones transmission studies, and identify and examine new projects to create an electrically efficient and capital-efficient network around the west. Western may propose new projects which supplant or modify other regional transmission projects. ARRA funding can be a catalyst to jump start other regional plans. Therefore, vetting new projects that are identified in Western's current process through screening in regional planning groups may identify opportunities to combine projects, modify plans, and or modify participation interests. Western should encourage efficient merging of interests and projects wherever possible to avoid duplicative facilities which increase consumers' costs.

This process may lead Western to conclude that it is necessary to interconnect most new projects to regional markets, which would provide access for renewable generation to reach regional market/trading hubs. This approach would very likely reduce or eliminate congestion into the same geographic regions. The economic relief provided by reducing existing congested areas, while providing new transmission capacity for renewable resources, may help provide near term financial savings when compared to the costs for repayment of the new ARRA transmission facilities without such congestion relief benefits.

We have also attempted to offer some observations of how Western can deal with some of the issues that will likely arise between the ARRA purposes and Western's Statutory Project purposes, which will require resolution as new projects are conceived, vetted, permitted, and constructed.

We believe the existing FTS contracts, Statutory Project authorizations, project accounting and rate setting need to be respected; however, such preconditions need not hinder opportunities to expand the FTS facilities. The existing project capacity can and must be contractually and financially honored within a larger transmission system to satisfy all statutory delivery cost and contractual obligations. The savings from using existing Western rights-of-way may exceed the difference in capital costs for new transmission capacity versus expanding existing facilities. In such cases, the resulting expanded transmission system should be able to honor the financial and contractual positions of existing customers. While the expanded system may have multiple rates for using the same facility, contrary to FERC nondiscriminatory pricing policies, Western has the Congressional authorization to implement such practices, and need not force its existing customers to forgo any cost benefits or transmission rights in a surviving or replacement network.

Furthermore, Statutory Project customers should not be negatively impacted, and may in fact see greater utilization of FTS rights by converting FTS unused capacity into an upgraded system, reducing other costs to FTS customers. Alternatively, the debt for those unused portions could be "purchased via ARRA funds" and retired from the FTS projects. We believe the existing customers should and can retain their contractual rights in the upgraded system and enjoy additional benefits of access to renewable energy from the new resources that connect or use the expanded federal transmission network. Existing customers should be offered the same transmission service options, *i.e.* use of delivery points on a non-firm basis, and roll-over rights to expand or transfer their use to the expanded system to access new renewable energy resources and markets.

All existing FTS customer positions can be honored both in financial obligations to the associated Federal Project and in transmission delivery rights. When the existing federal debt is paid off, the rights could transfer to the new project and, over time, all customers may migrate to a common tariff charge on the larger network as future resources are contracted over the expanded system.

O&M, ancillary services, and other shared costs can continue to be separately accounted for by each project and appropriately segregated so the integrity of each project's accounting and rate setting process is maintained. Such integrated practices are used by Western today with its numerous Statutory Projects, so tracking a few more projects should not overwhelm the agency or existing accounting processes.

Although the ARRA will clearly not "fix it all", we believe there are many opportunities for projects through which Western can successfully achieve the purposes of ARRA. We believe access to resources can be expanded for many regions and Western can create multiple benefits to many regions with careful screening and regional vetting to create new resource opportunities. In many regional plans, the cost of the renewable piece has been a hard target to identify and fund. With ARRA funding and good project selection, we believe there are many projects Western can implement or facilitate which will complement regional plans and fill the renewables void. Further, we believe joint transmission project ownership is

critical to creating future transparent market access for all LSEs and providing them transmission rights to meet their Native Load obligations with the greatest opportunity to achieve economic efficiency for all consumers. Some additional private investments may help to create a new, robust network, and those contributions will need to be carefully examined to ensure that they provide economic benefits above costs and contribute to the open, uncongested interstate network we all desire and need.

We appreciate the opportunity to offer these comments to Western and will be happy to answer any questions regarding our observations.

Sincerely,

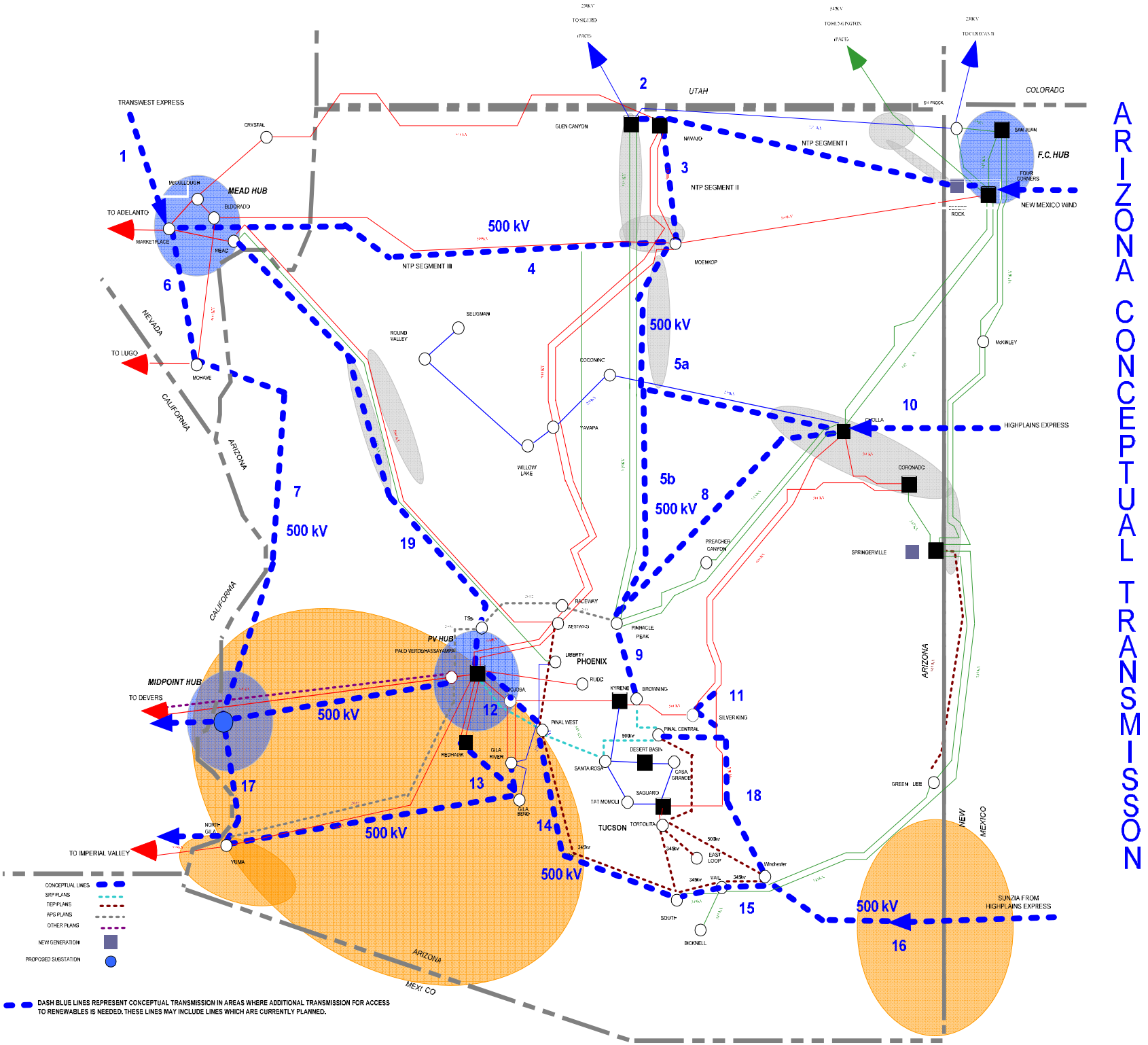
Kenneth R. Saline

Kenneth R. Saline, P.E.
K. R. Saline & Associates, PLC

Cc: WestSide Districts
IEDA
CREDA
APA

Arizona-EHV Conceptual Transmission

Transmission Segment	500kV Line	Permitted	Planning Stage	Project/Study Forum
1	**TransWest Exp Injection point**		**Conceptual**	**APS-TransWest Express**
2	**Glen Canyon/ Navajo**		**Conceptual**	
3	**Navajo/ Moenkopi**		**Conceptual**	**NTP-Segment 2**
4	**Moenkopi/ Marketplace**	✓	**Conceptual**	**NTP- Segment 3**
5a	**Moenkopi/ Cholla**		**Conceptual**	**SWAT-AZ-Renewables**
5b	**Moenkopi/ Pinnacle Pk**		**Conceptual**	
6	**Marketplace/ Mohave**		**Conceptual**	
7	**Mohave/ New-Station 1**		**Conceptual**	**SWAT-AZ-Renewables**
8	**Cholla/ Phoenix**		**Conceptual**	**APS Ten-Year Plan**
9	**Pinnacle Pk/ Browning**			
10	**High Plains Exp Injection 1**		**Conceptual**	**High Plains Express**
11	**Cholla/Sag/Silver King loop-in**		**Conceptual**	**CATS**
12	**Palo Verde/ Pinal West 2**	✓	**Conceptual**	**CATS**
13	**Palo Verde/ North Gila 2 Alt**	✓	**Planned**	
14	**Pinal West/South**	✓	**Conceptual**	**CATS**
15	**South/Vail/Winch**		**Conceptual**	**CATS**
16	**High Plains Exp Injection 2 Via SUNZIA**		**Conceptual**	**High Plains Express/ SunZia**
17	**New Station 1/ North Gila**		**Conceptual**	**SWAT-AZ-Renewables**
18	**Winchester/ Pinal Central**		**Conceptual**	**SUNZIA**
19	**Mead/Phx**		**Conceptual**	


ARIZONA CONCEPTUAL TRANSMISSON
TRANSWEST EXPRESS
1
2
UTAH
COLORADO
3
NTP SEGMENT I
NTP SEGMENT II
NTP SEGMENT III
4
500 kV
5a
5b
6
7
8
9
10
11
12
13
14
15
16
17
18
19
MEAD HUB
MIDPOINT HUB
PV HUB
F.C. HUB
SUNZIA FROM HIGHPLAINS EXPRESS
HIGHPLAINS EXPRESS
NEW MEXICO WIND
TO ADELANTO
TO LUGO
TO DEVERS
TO IMPERIAL VALLEY
NEVADA
CALIFORNIA
ARIZONA
NEW MEXICO
TUCSON
PHOENIX
CRYSTAL
McCULLOUGH
ELDORADO
MARKETPLACE
MEAD
MOHAVE
GLEN CANYON
NAVAJO
MOENKOPI
SAN JUAN
FOUR CORNERS
ROCK
SELIGMAN
ROUND VALLEY
COCONINO
YAVAPAI
WILLOW LAKE
McKINLEY
CHOLLA
CORONADO
SPRINGERVILLE
PREACHER CANYON
RACEWAY
WESTWING
PINNACLE PEAK
TSS
PALO VERDE/MASSAYAMPA
LIBERTY
RUDD
KYRENE
BROWNING
SILVER KING
PINAL WEST
PINAL CENTRAL
DESERT BASIN
SANTA ROSA
CASA GRANDE
SAGUARO
TAT MOMOLI
TORTOLITA
EAST LOOP
VAIL
Winchester
SOUTH
BICKNELL
GREEN LEE
REDHAWK
GILA RIVER
GILA BEND
NORTH GILA
YUMA
SOUTH
CONCEPTUAL LINES
SRP PLANS
TEP PLANS
APS PLANS
OTHER PLANS
NEW GENERATION
PROPOSED SUBSTATION
DASH BLUE LINES REPRESENT CONCEPTUAL TRANSMISSION IN AREAS WHERE ADDITIONAL TRANSMISSION FOR ACCESS TO RENEWABLES IS NEEDED. THESE LINES MAY INCLUDE LINES WHICH ARE CURRENTLY PLANNED.