

DOE/Western Joint Outreach Team: “Defining the Future Workshop”

Held on July 24, 2012 in Phoenix, AZ

Comments of SouthWestern Power Group

SouthWestern Power Group (“SWPG”) representatives attended the DOE/Western workshop held in Phoenix, Arizona on 7/24/12 and participated in all three working groups.

We want to thank the US Department of Energy (“DOE”) and Western Area Power Administration (“Western”) for hosting the workshop and allowing SWPG to participate.

We herewith submit our comments.

Working Group 1: Transmission Planning and Operations

Western’s vast transmission footprint requires that it participate actively in regional planning forums. As energy imbalance markets and protocols develop in the WECC, Western should provide leadership to ensure that the full value of the government’s investment in the transmission system Western operates is utilized. Western’s participation as a balancing area(s) authority to help regulate variable energy resources should not be limited to the continued provision of such services to (only) preference customers, as has been the historic practice. Specific recommendations for further analysis and action include:

1. Western should continue its active support of and participation in regional planning groups, especially SWAT and CCPG.
2. Western should participate with WECC in the development of an energy imbalance market and identify the balancing and regulating services it might provide to such a market.
3. Western should develop a program that would make possible transmission capacity expansion that utilizes Western’s ROW, as long as service commitments to Western’s preference customers are unaffected.

Working Group 2: Design of Transmission Services

We understand the dichotomy between the transmission service requirements of the preference customers and the significant interest from other potential transmission customers. Western has an incredible transmission footprint, existing rights-of-way, and an ability to facilitate a significant expansion to assist with the growth of the existing customers and transmission customers. Our thoughts on facilitating Western's ability to provide additional transmission services include:

1. Develop a single rate across the Western system. We hear loud and clear that rate pancaking across multiple systems inhibit the ability to economically deliver from renewable energy zones across the Western service area.
2. Survey existing and potential transmission customers on areas where additional transmission services and capacity may be desired over the long-term.
3. Western should not waste their time on Energy Efficiency or Demand Side initiatives, most or all of the load serving customers (at the retail level) have programs in place or planned to address this issue.
4. Developing an understanding (and communicate to customers) of what the existing transmission limitations are based on (contractual, physical, etc.) would be helpful to provide signals to the developers on potential opportunities to upgrade the existing system (reconductor, increased voltage, etc.). Optimizing the existing system will help with some of the nearer term limitations.
5. Examine the potential for additional transmission interconnections with the regional markets, specifically Palo Verde and the CAISO. These additional interconnections will provide certainty and limitations on rate pancaking across the transmission system to a market.
6. Explore the additional requirements to use Dynamic Scheduling given the restrictions on the Western system (limited network resources today). Western should also review any requirements that are needed to meet the regional progress towards 15 minute scheduling (potentially less); i.e. from FERC Order 794 regarding Variable Energy Resource Scheduling.
7. Expand the use of a Facility Use Charge over an extended period (30 years+) as a way of utilizing transmission assets where system improvements or Network Upgrades are required to deliver energy via the Western system.

Working Group 3: New Transmission Authorities

Defining the Section 1222 program (“S. 1222”) should not be done in isolation. DOE/Western should build upon the experience gained over the past few years from administering the Transmission Infrastructure Program (“TIP”) because the two programs have a similar intent, are being administered by the same group/teams of people and involve Western in the development (and possibly ownership) of new transmission infrastructure.

Going forward, we encourage DOE/Western to include the following elements in both the TIP and S. 1222 programs:

1. Consistency

Consistency between the process and details involved in administering the TIP and S. 1222 programs. DOE/Western should create a side by side comparison of the two programs including eligibility criteria, evaluation criteria, duration of various phases, key metrics to be met, expected costs, etc. and make this document public. We believe that DOE, Western and other stakeholders will benefit from more transparency and information about the two programs and how they are being administered.

2. The Key Difference between TIP and S. 1222

Because the S. 1222 does not involve putting taxpayer money at risk, the evaluation criteria for a S. 1222 project should be less strict than that for a TIP project (particularly regarding financial viability). S. 1222 projects do not involve the risk of repayment of federal funding and this fact should be reflected in the process comparison between TIP and S. 1222 programs.

3. Process Flow Diagram

Create a process flow diagram for both TIP and S. 1222 that show the following for each program:

- a. Key phases/stages,
- b. Responsibilities within DOE/Western (“who does what”) at each phase/stage,
- c. Information required by DOE/Western at each phase/stage,
- d. Evaluation criteria that will be applied by DOE/Western at each phase/stage and where possible, key metrics that DOE/Western will use to determine whether a project meets the evaluation criteria,
- e. Expected costs to be borne by applicants during each phase/stage
- f. Expected duration of each phase/stage, and
- g. Deliverables that DOE/Western will provide to the applicant that signify success in achieving the current phase/stage or feedback identifying why applicant has failed to achieve success.

4. Potential Conflict of Interest

Objective and unbiased decision making by DOE/Western regarding which projects are successful with a TIP and/or S. 1222 application. We are concerned that Western faces a potential conflict of interest whenever it is considering a project under TIP or S. 1222 when that project proposes to upgrade/improve Western's transmission system compared to a project that does not contain such upgrades/improvements.

5. Long-Term Participation by Western under S. 1222

We believe that Western should be able to become a long-term project partner under S. 1222 and play a role beyond the project development phase, similar to TIP (e.g., ownership of specific project assets such as towers and lines and/or ownership of transmission capacity rights). We have not found anything in the enabling legislation nor in the FRN that prohibits or limits Western's long-term participation in a project approved under S. 1222. We recommend that the specifics of this long-term role be determined case by case between DOE/Western and the applicant. We see long-term benefits to Western, its preference customers and its transmission customers from being able to do so.