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October 4, 2002

Mr. Jerry D. Smith, Electric Utilities Engineer
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

Arizona Corporation Commission
DOCKETED

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DOCKETED BY

RE: Second Biennial Transmission Assessment Draft Report and October 18, 2002 Workshop; Docket No. E-00000D-02-0065

Dear Jerry:

The Wellton-Mohawk Generating Facility ("WMGF") commends Staff and its consultant on an excellent first draft of the Second Biennial Transmission Assessment report ("BTA"). WMGF would also thank Staff for inviting WMGF as well as the other Independent Power Producers to participate and contribute to the BTA process.

In accordance with your September 20, 2002 memo, WMGF, through its attorneys, submits its comments and recommended changes to the BTA to assist Staff in preparing the most comprehensive and accurate assessment report possible. WMGF's comments and recommended changes to the BTA are as follows:

SECTION 7. LOCAL AREA TRANSMISSION IMPORT CONSTRAINTS

7.4 Yuma Area Import Assessment

WMGF recommends that the components of imported power for the Yuma area described in the first paragraph of Section 7.4 needs to be clarified. Language should be added explaining that in 2002, APS was able to provide a total capability of 375 MW to the Yuma area

in part by purchasing 50 MW from SDG&E. Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

WMGF recommends that language in the second paragraph of Section 7.4 be changed to accurately characterize APS' 230 kV line from Gila Bend to Yuma in 2006 as a proposal only. At the July 31, 2002 Workshop, Cary Deise, Director of Transmission for APS indicated that APS has no firm plans to construct this line. (July 31, 2002 Workshop Transcript). Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

WMGF recommends that language be added to Section 7.4 identifying the Wellton-Mohawk Generating Facility as a possible generation solution to the Yuma Load Pocket problem.

This would accurately reflect statements made by Cary Deise, Director of Transmission for APS, as well as Jim Charters, Planning Manager for Western Area Power Administration, whom clearly identified the proposed Wellton-Mohawk Generating Facility (planned to be on-line in 2005) as a local generation solution to the Yuma Load Pocket. (July 31, 2002 Workshop Transcript). Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

Lastly, WMGF recommends that language be added to Section 7.4 explaining that the siting of new generation within the Yuma load pocket may be the best alternative to serve the public interest because it reflects the ACC's stated goals of enhanced energy and reliability. Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

SECTION 9.3.8 WELLTON-MOHAWK

This section incorrectly characterizes Wellton-Mohawk as the sole owner of the project. The project is actually comprised of several entities including the subsidiary of a large public utility parent company. WMGF recommends that language in this section be corrected to accurately describe the owners of the project, which are Dome Valley Energy Partners, L.L.C., Yuma County Water Users' Association and Wellton-Mohawk Irrigation and Drainage District. Together, the project owners are referred to as the Wellton-Mohawk Generating Facility or WMGF. Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

This section incorrectly identifies the "Muggins substation" as the substation where the Wellton-Mohawk Generating Facility will connect to the power grid. The correct substation is the "Ligurta substation." Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

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This section incorrectly identifies El Paso as the supplier of gas to the WMGF. The Wellton-Mohawk Generating Facility is currently negotiating with a few gas suppliers to serve the facility. Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

Lastly, this section fails to explain that the Wellton-Mohawk Generating Facility intends to utilize the patented SEECOT™ Solar Thermal Technology to reduce natural gas consumption by converting solar energy into thermal energy for inlet air-cooling of the Combustion Turbine Generator ("CTG"). This would result in an approximate 12 percent (12%) increase in CTG electric output during times of peak solar radiation, as well as improved efficiency and/or a lower heat rate. Using this system, the Project will generate kilowatt-hours that qualify as renewable energy credits under Arizona's Environmental Portfolio Standard and that qualify as renewable energy purchases under similar programs in both Nevada and California. Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

SECTION 10.2.1 TRANSMISSION IMPORT CONSTRAINT ZONES

Because the Wellton-Mohawk Generating Facility has been identified by APS and Western as a possible generation solution to the Yuma Load Pocket, WMGF recommends that the second paragraph of Section 10.2.1 include language specifically explaining that "APS as well as others including Wellton-Mohawk Generating Facility offer transmission and/or generation solutions to alleviate the import constraints in Yuma." WMGF also recommends that this section specifically identify the Wellton-Mohawk Generating Facility as a proposed generation solution to the Yuma load pocket problem. Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

Lastly, WMGF recommends that language be added to Section 10.2.1 explaining that the ultimate solution to the Yuma load pocket problem should take into account the relative reliability, cost effectiveness and environmental impacts of the solution consistent with the policies of the Arizona Corporation Commission and the State of Arizona. Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

APPENDIX C-4: TEN-YEAR PLANS (2002 – 2011) MERCHANT PLANTS

On a minor point, the BTA failed to include the Wellton-Mohawk Generating Project's Ten Year Plan, which was filed with the Commission as required under Arizona statute. Please see the attachment to this letter showing WMGF's suggested redline changes reflecting this comment.

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CONCLUSION

WMGF hopes that the above comments and recommended changes to the BTA are helpful and assist Staff in developing the most comprehensive and accurate assessment report possible.

WMGF looks forward to participating further in the Second Biennial Transmission Assessment Process. Please do not hesitate to call if you have any questions or require clarification regarding WMGF's comments and recommended changes to the BTA.

Very truly yours,


Paul R. Michaud
For the Firm

PRM/klc

Attachments: WMGF's Recommended Redline Changes to the BTA.
WMGF's Recommended Redline Changes to the BTA, Appendix C-4

cc: Mr. Christopher Kempley, ACC, Legal Division, Chief Counsel
Mr. Ernest Johnson, ACC, Utilities Division, Director
Mr. Steve Olea, ACC, Utilities Division, Assistant Director
Mr. Neal Balu, P Plus Corporation, ACC Staff Consultant
Ms. Laurie Woodall, Chairman, Arizona Power Plant and Line Siting Committee
July 31 Working Group Attendees Shown on Appendix E of Draft BTA
Wellton-Mohawk Generating Facility Participants
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**WELLTON-MOHAWK GENERATING FACILITY'S RECOMMENDED
REDLINE CHANGES TO CERTAIN SECTIONS OF THE DRAFT
SECOND BIENNIAL ASSESSMENT REPORT**

7.4 Yuma Area Import Assessment

Peak load in the Yuma area is expected to grow from about 300 MW in 2002 to about 375 MW in 2006. This load is served by a combination of local generation and imported power. The local generation consists of two 19 MW and two 55 MW combustion turbines, three of which are capable of burning oil or gas, and the fourth is oil only. ~~Imported power~~ ~~The line capacity~~ is made up of 38 MW on Western's 161 kV Parker-Yuma line, ~~which is APS's~~ 11 % share ~~(, 140 MW)~~ of the Palo Verde-North Gila 500 kV transmission line, ~~and plus potential~~ short term purchases from San Diego Gas and Electric Company ~~(, which owns the largest portion of the Palo Verde-North Gila 500 kV line)~~ along with power purchases from CAISO. ~~In 2002 APS was able to purchase 50 MW from SDG&E which, along with the other resources discussed above. This basket of resources will provided a total capability of to serve loads up to 375 MW.~~

~~APS's 10 Year Plan includes filed plans that propose to build a 115 mile long, 230 kV line from Gila Bend to Yuma which is proposed to be in service by 2006 and , which would will add 150 MW of transfer capability to meet the area load serving needs (an application for a CEC for this line has not yet been filed).~~ APS is also ~~considering several other looking at a list of~~ options and alternatives that includes other transmission ~~modifications/additions~~ and local generation solutions ~~(such as the Wellton-Mohawk generating facility which is discussed in Section 9.3.8 and which is planned to be on-line in 2005).~~ The ~~transmission options se~~ include making modifications to the Palo Verde-North Gila line which will give APS about 40 MW more import capability by eliminating sag limitations, ~~increasing improving~~ series capacitor ratings, and reducing induced voltage into the communications system used by a railroad. System upgrades at Blythe can also help the Yuma area. There are literally a handful of ~~transmission and/or generation other~~ options that taken together can add to APS' ability to serve load in the Yuma area.

In summary, it appears that the measures contemplated by APS and others should be able to alleviate the import constraints in the Yuma load pocket. Of these options, the siting of new generation within the Yuma load pocket, reflecting ACC's goals of enhanced energy security and reliability, cost efficiency and environmental concern, may best serve the public interest.

9.3.8 Wellton-Mohawk

The proposed Wellton-Mohawk Generating Facility is being developed by a partnership of private and quasi-governmental entities including Dome Valley Energy Partners, L.L.C., Yuma County Water Users' Association and the Wellton-Mohawk Irrigation and Drainage District. The Wellton-Mohawk Generating Facility station will be a combined cycle generating station consisting of two 2X1 power blocks each producing 310 MW, and located in the Yuma load pocket. The Wellton-Mohawk Irrigation and Drainage District operates a distribution system with a load of about 35 MWw. The Project ~~and~~ intends to connect the power station at ~~its~~ existing ~~Wellton-Ligurta ??? Muggings~~ substation, and take cooling water from the Wellton – Mohawk Irrigation and Drainage District canal. Western has conducted an interconnection study and concluded that the plant ~~when built~~ could alleviate the problems of constraints into the Yuma area. A facility study is currently underway. The first Siting hearings were conducted in August 2001. The air permit application is complete and submitted, with an expected date for permit issuance in early 2003. The Wellton-Mohawk Generating Facility has received gas supply and transportation proposals and is currently negotiating with a few gas suppliers to serve the plant. ~~El Paso Natural Gas would construct a 60-mile gas pipeline from Quartzsite with another 9-mile pipeline to the plant.~~ The project is developing an interconnection with APS. At this point the in service date is 2005.

A section of new transmission line and about 40 miles of upgrades to Westerns 161 kV transmission line would have to be constructed.

It is worth noting that The the Wellton-Mohawk Project is unique in that it also intends to utilize the patented SEECOT™ Solar Thermal Technology to reduce natural gas consumption by converting solar energy into thermal energy for inlet air-cooling of the Combustion Turbine Generator ("CTG"). This would result in an approximate 12 percent increase in CTG electric output during times of peak solar radiation, as well as improved efficiency and/or a lower heat

rate. Using this system, the Project will generate kilowatt-hours that qualify as renewable energy credits under Arizona's Environmental Portfolio Standard and that qualify as renewable energy purchases under similar programs in both Nevada and California.

10.2.1 Transmission Import Constraint Zones

Transmission import constraint zones within the Arizona transmission grid are still an area of concern. While the import constraint issues in certain load pockets are being addressed, the measures taken in others are still inadequate. Since the first BTA, the load pockets in Santa Cruz County and Mojave County are also becoming import constrained due to the overload of facilities feeding into those areas.

The measures contemplated by APS and others in the Yuma area appear to offer a variety of transmission and/or generation solutions that could alleviate the import constraints. The proposed measures depend on a combination of local generation (existing and new such as the Wellton-Mohawk project), ~~and~~ APS' share of the lines feeding into Yuma area, and potential new facilities (such as the planned 230 kV transmission line from Gila Bend to Yuma) by 2006. The ultimate solution would take into account the relative reliability, cost effectiveness and environmental impacts of these options consistent with the State of Arizona's future outlook.

TEP is taking measures to increase the import capability into Tucson area through joint transmission projects with APS, SRP, SWT Coop and CUC, in addition to depending on local generation. However, TEP also addressed the concern related to local voltage support by running local generation. Thus, TEP's proposed solution seems to alleviate the import constraint problem, assuming the proposed transmission projects are completed in a timely manner.

The utilities serving the Phoenix area have proposed a combination of Valley Transmission projects to relieve the import constraints in the Phoenix area, in addition to depending on local generation. As the transmission constraint for the Phoenix Valley changes over time from a ~~transmission~~ import capability to a system voltage limit, a complex set of measures has to be considered to assure system adequacy. From the analysis of the measures proposed by the Valley utilities, several issues remain unanswered with regard to the proposed solution. The issues related to Megavar margin improvement, effect of local generation outages, dispatch levels of

local generation to provide the needed load serving capability, and installing reactive power devices locally to improve the voltage support need to be addressed in greater detail.

In the Santa Cruz County area, there is limited local generation, and until the proposed transmission projects near the Gateway substation are completed the import constraint problem will persist. The existing transmission capability is inadequate to serve the load in this area under contingency conditions.

In Mojave County, the transmission path into the County is owned by WAPA and its capacity is fully subscribed. There is inadequate local generation, and the Merchant plants in the area have no contractual agreements in place to run the generation to alleviate the local import constraints. Hence, the transmission system in the area is inadequate to relieve the import constraints.

1.1.1 Local Transmission System Inadequacies

The load in local areas is growing and there is not enough local transmission in some local areas to meet the projected load growth. There is inadequate underlying transmission at the 230/138/115 kV levels to meet the growth in Central Arizona. Although there are good EHV transmission overlays at the 345 kV and 500 kV levels through the CATS efforts, there is inadequate transmission capacity to serve the projected needs of customers. Hence, the HV transmission system servicing this area needs to be investigated further, and transmission plans developed.

Transmission systems of Arizona utilities are also intertwined with the WAPA transmission in the Northern and Southern Arizona areas. WAPA transmission is built to meet the needs of its long-term preference customers, and participation with other utilities can materialize only through trust accounts where the upgrades have to be paid by the users. Concerns related to non-availability of Western's transmission capacity for Arizona utilities have been identified in several areas, namely, Kingman, Flagstaff, Yuma, and Santa Cruz County. This introduces a degree of uncertainty in transmission upgrades, and needs to be resolved to the benefit of Arizona consumers.

**Appendix C-4
Ten-Year Plans
(2002-2011)
Merchant Plants**

IN SERVICE DATE	OWNER	TRANSMISSION			MILES	LOCATION	CEC
		DESCRIPTION	# UNITS	VOLTAGE			STATUS
2005	Reliant Energy	Signal Peak Interconnection	?	230kV	30	Casa Grande	??
2005	Desert Energy	Desert Energy Power Plant	?	500kV	1	Pinal County	??
??	APS	Gila River Project	4	500kV	19	SW Arizona	
2006	Maestros	Ambos Nogales Generating Station	1	230kV	9	South Arizona	
??	Allegheny	La Paz Generating Station	?	500kV	2	??	ISSUED
<u>2005</u>	<u>Dome Valley</u>	<u>Wellton-Mohawk Generating Facility</u>	<u>2</u>	<u>161kV</u>	<u>26</u>	<u>Yuma Area</u>	<u>PENDING</u>
2004	Bowie	Bowie Power Station	2	345kV	15	SE Arizona	ISSUED
2003	Gila Bend	Gila Bend Power Project		500kV	2	South of Phoenix	ISSUED
2003	Panda	Panda Gila River Power Station	4	500kV	20	South Arizona	
2004	Allegheny	Allegheny Power Project	2	500kV	?	SW Arizona	REQUIRED
2003	PP&L	Sundance Energy Project	12	230kV	6	Coolidge, AZ	REQUIRED
2002	PPL & Duke	Griffith Energy Project	1	230kV	28	NW Arizona	OPERATING

NOTE: It may be better to list the project/plant MW rather than the no. of units.