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August 6, 2008

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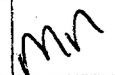
Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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AUG - 6 2008

RE: Docket No. E-00000D-07-0376
Biennial Transmission Assessment for 2008-2017

DOCKETED BY 

The Interwest Energy Alliance (Interwest) is a trade association that supports state-level public policies that harness the West's abundant renewable energy and energy efficiency resources. Interwest has participated in the BTA workshops held on May 22-23, 2008 on as well as the Renewable Energy Transmission Task Force meetings held on October 8 and November 16, 2007. Interwest offers the following comments on the first draft of the Fifth Biennial Transmission Assessment 2008-2017.

Interwest appreciates the compilation of this report and the assessment of the state of transmission infrastructure to meet Arizona's electricity growth and public policy goals. We believe that the new requirement to access ACT for renewable energy resources and develop a plan describing the transmission needed to bring these resources to load provides new, valuable information to the process and its stakeholders. The Arizona Renewable Energy Transmission Task Force formed in response to the Commission's order on the 4th BTA to develop renewable energy resource zones and a transmission plan, as well as regional efforts such as the Western Governors' Association Western Renewable Energy Zone Initiative, reflect the interest and new reality that renewable energy resources will make up a significant portion of the new generation needed to meet load. However, concerns about climate change and surging interest in low-carbon technologies create a new urgency for transmission planning that facilitates renewable energy generation.

This letter provides specific comments on the BTA draft report and some general comments on transmission planning to be considered by the Arizona Corporation Commission (ACC).

Comments on the BTA Report

Section 3.6 Other Renewable Energy Transmission Initiatives, which begins on page 38, attributes the increased interest in renewable energy to four main factors (as presented by Laurie Woodall). **Interwest believes that one of the most critical and pressing factors in the pursuit of stable-priced renewable energy is the cost increases and volatility of natural gas. Interwest suggests that this section of the report acknowledge the influence and importance of natural gas price and volatility.**

Section 3.6 Other Renewable Energy Transmission Initiatives states that additional transmission for renewable energy is ascribed to three primary factors. These factors are not unique to renewable energy resources.

1. "Growing load, transmission limitations" is independent of the fuel source or technology.
2. "Renewable resources may be remotely located without access to available transmission." With the exception of natural gas, most if not all new generation sources will be located remote from load. Similarly any new significant generation resource may need transmission.
3. "Financing of transmission can be expensive and difficult for smaller intermittent renewable generators." Financing of transmission can be challenging for any smaller generator, not just renewable energy ones.

Interwest recommends that these three factors and the lead-in sentence be deleted.

Section 5.2 Efficacy of Commission Ordered Studies. The third paragraph of subsection 3, beginning on page 61 reads:

*"The SWAT Renewable Task Force is now actively engaged in technical studies that consider the conceptual renewable collector systems identified for Arizona, New Mexico and Nevada. In 2009 WestConnect will perform technical studies that consider the integration of renewable energy development throughout the entire WestConnect planning area. These two efforts will compliment [sic] and support the WGA West-wide Renewable Energy Zone study that is expected to be completed in 2010. *It would be counter productive to pursue any additional technical studies until these regional and sub-regional studies are completed and actual renewable projects are identified and committed to development in the respective renewable energy zones.*"(emphasis added).*

Interwest recommends that the last sentence be removed from the report. The Arizona utilities should not wait for two years for WestConnect or WGA studies to be completed but, instead, complete the technical, economic and planning studies necessary to

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develop transmission to the Arizona renewable energy zones identified in this report. The Arizona utilities should also be encouraged to facilitate the aggregation of renewable energy projects to justify transmission.

The statement "It would be counter productive to pursue any additional technical studies until these regional and sub-regional studies are completed and actual renewable projects are identified and committed to development in the respective renewable energy zones" illustrates a fundamental difference between renewable energy generation development and traditional generation development. For coal, nuclear or other large generators located far from load, the lead time for development of a plant is similar to, and can be coordinated with, transmission expansion. However, renewable energy generation resources can be sited, developed and constructed in much less time than is necessary to site and build new transmission. The old transmission planning model is to purchase a generation resource (e.g., coal), then build the transmission necessary to transmit the power to the load center. This model, which works well for traditional generation, does not work well with renewable energy.

Several states including Colorado, Texas and California, which want to support the development of renewable energy resources, allow cost recovery for utilities to build transmission in advance of renewable generation. These policies recognize that building transmission has a longer lead time than building renewable energy generation. Similarly, the Federal Energy Regulatory Commission (FERC) approved a "renewable trunk line" tariff to allow full cost recovery of a line which does not qualify as a network facility but provides access to renewable resources, e.g. wind generation at Tehachapi in California, and reimburses the transmission provider (and its customers) as generation is connected.

As referenced in the report, the Western Governors' Association's Renewable Energy Zone Identification initiative will identify zones, in the western interconnection, with large amounts of renewable energy resources, an estimated cost of those resources and the transmission necessary to transmit the energy to load centers. This effort was undertaken, in part, to spur transmission planning and support renewable energy development. However, this process is intended to be high-level and region-wide. It does not negate or supplant the need for Arizona to continue to develop transmission for in-state renewable energy development. Pursuing

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transmission development in the state of Arizona will help support the development of in-state projects which will pay economic and energy security benefits to the state.

Section 6. Recommendations, Subsection 2, page 64

This section reads:

"It is recommended the SWAT Renewable Transmission Task Force transmission study report and the WestConnect Long Range Study report be filed with the Commission by January 31, 2010 to supplement the renewable transmission assessments filed with this BTA."

Interwest recommends the following language change "It is recommended the SWAT Renewable Transmission Task Force continue to assess and study the impact to the transmission system on increasing amounts of renewable energy and energy efficiency, study the availability of renewable energy resources in Arizona, and work to aggregate resources to support development of transmission to resource zones. A report detailing this work, the WestConnect Long Range Study report, and the Western Governors' Association Western Renewable Energy Zone Initiative report should be filed with the Commission when completed or by January 31, 2010 to supplement the renewable transmission assessments filed with this BTA."

General comments

Interwest offers the following thoughts to generate discussion related to transmission planning and renewable energy development.

Resource Planning

Arizona is the fastest growing state in the nation and it is the only state in the West that does not require an Integrated Resource Planning process (IRP) for regulated utilities. An IRP is a plan, prepared by an electric utility, for the types and amounts of resources that will be needed to meet load growth in its service territory. An IRP process: provides a forum for public discourse on meeting the state's future energy needs; considers a robust range of alternatives; and assesses their market and non-market risks, costs and benefits. The resulting plan can inform the transmission planning process by putting resource acquisition information in the public domain.

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Arizona had a resource planning process but the rules were suspended during the effort to deregulate the industry. Several staff workshops were held in 2007 to resurrect these planning rules but those efforts have languished since the beginning of 2008.

Interwest recommends that the Commission establish a resource planning process that will allow for public dialogue on resource choice and inform and influence the transmission planning process.

Energy First Planning

Utility resource portfolios have historically included high capacity factor (base load) resources complemented by quickly dispatchable capacity resources. These have high environmental impact (i.e., lead, mercury and carbon from coal, spent fuel from nuclear). As we enter a carbon-constrained energy economy it will be important to reduce carbon output from electricity generation. That can be done by adding significant quantities of low carbon energy resources to a utility's portfolio and dispatching them first. Capacity resources would be added as needed to meet load and reliability standards. In practice, this would encourage energy efficiency and demand side management first, renewable energy second, and flexible, fast-start resources like natural gas third. For transmission planning, heavy reliance on non-wires resources (energy efficiency and demand side management) may reduce the amount of transfer capability needed. Greater reliance on renewables may make over-sizing of transmission desirable in some cases.

Arizona is a fast growing state and as such, our expected greenhouse gas emission rate increase is expected to be high (estimated to be 148% above 1990 levels by 2020)¹. Early and aggressive action to reduce carbon emissions and adoptions of "no-regrets" policies that support multiple goals will pay dividends to Arizona in the long term.

Interwest recommends that the Commission's order open a dialog on the beneficial prospect of energy-first planning and adding steadily increasing amounts of energy efficiency and renewable energy on the transmission system. Utilities around the country

¹ Arizona Climate Change Advisory Group, Climate Change Action Plan, August 2006

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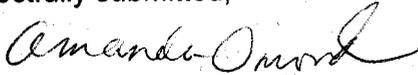
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have accomplished this task (see reports available on the website of the Utility Wind Integration Group at www.uwig.org), and Arizona's utilities can likewise make this possible.

Conclusion

There is great uncertainty now in energy markets due to concerns about climate change and carbon emissions and rising cost of fossil fuels, steel, concrete and other commodities essential to the energy industry. Enhancing regulatory certainty for investment by electricity utilities will require effective long-range planning. The draft BTA report provides valuable but piece-meal information. Developing an integrated resource planning process would create more certainty for utilities and allow for more comprehensive transmission planning. It is essential that we ensure that non-wires solutions and renewable energy resources are factored into planning and become a greater part of our utilities' energy portfolios.

Respectfully submitted,



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