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2001 MAY -4 A 11: 13 **DAVID G. AREGHINI**
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AZ CORP COMMISSION
DOCUMENT CONTROL

May 1, 2001

Arizona Corporation Commission
DOCKETED

MAY 04 2001

Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007-2996

Attention: Deborah R. Scott
Director, Utilities Division

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Subject: Docket No. E-00000A-01-0120
Biennial Transmission Assessment Report 2000-2009

SRP has reviewed the ACC staff report "*Biennial Transmission Assessment 2000-2009*", February 2001, that was prepared pursuant to A.R.S. § 40-360.02.E, regarding the adequacy of existing and planned transmission facilities to meet Arizona's energy needs in a reliable manner.

SRP's 10-year transmission plan was developed with the objective of delivering reliable and low-cost power to its customers. The electricity to be transported over our existing and proposed transmission system will be either generation owned by SRP or generation from others that is wheeled to our customers.

The Commission staff report frequently mentions timeliness and adequacy. SRP believes that its plan, upon execution, will be adequate and timely, i.e. it will augment our existing delivery system to deliver new generation that we contemplate constructing or purchasing.

SRP concurs that the issues related to responsibility for transmission system expansion, responsibility to construct transmission facilities, cost responsibility for transmission additions or enhancements and other similar matters are of paramount importance. Specifically, are the transmission owners responsible for expanding the system to meet their customer needs or should they also be expanding the system to meet the needs of the merchant generation facilities before those facilities are completed, or before they are through their permitting process? The following questions are issues that SRP believes need to be addressed in determining and evaluating adequacy and timeliness and that would be appropriate for Commission staff to address during the proposed workshop:

- ❖ If incorporating local generation is interpreted to be inadequate, should there be a plan to build a transmission system that solely relies on remote generation? How many transmission lines will be appropriate to create a transmission system to import all the energy into a geographic load zone such as Phoenix and what would be the basis for resource assumptions?
- ❖ How will the benefits of new technology that helps in providing self sufficiency, such as locally provided distributed generation or other renewable portfolio options, be obtained if they are not incorporated in the transmission plans?
- ❖ Should additional lines be built so that congestion and constraints never exist on the transmission system? Should more lines be built when generation plants change the market to which they want their energy delivered?
- ❖ Is the approach proposed by DSTAR (Desert STAR) in dealing with the market issues of congestion management and local generation a reasonable way to address these issues?
- ❖ Are the reliability criteria being developed by NERC for a restructured electric utility industry adequate for the transmission system in Arizona, or is more required? Are additional reliability criteria, beyond those required by WSCC and unique to Arizona, compatible with regional grid approaches being recommended by FERC?
- ❖ Has the Commission determined what level of personnel staffing and funding is required to meet the staff's proposal to provide more oversight and analysis of the transmission system?

Specific items contained in the report that SRP believes need to be corrected in a revision or update are:

Section 1.2

SRP bases its design on prudent utility practices and on meeting applicable NERC and WSCC planning and operating criteria. The application of the N-1 criteria ensures that the demand and energy requirements of SRP's customers can be met with the expected loss of a single transmission element or generation unit. As per the NERC Criteria, this is done "taking into account scheduled and reasonably expected unscheduled outages of system elements." The objective of SRP's planning effort is to discover and address those generation and load patterns that are the most restrictive under the applied criteria. This ensures that SRP will operate its system within the established criteria at all times, assuring energy deliveries to its customers.

Section 2.3

SRP's import capability has increased from Summer 2000 to Summer 2001 as a result of capital investments in transmission enhancements. The transmission import limit has increased from 3,625 MW to 4,134 MW for a net improvement of 509 MW.

Section 2.5

Customers desiring transmission services that are not available as ATC through OASIS need to make a Transmission Service Request. If the transmission service is not available, the Transmission Owner will perform a System Impact Study to define how the service can be provided.

Section 3.2

The scheduled in-service dates for the Kyrene Expansion Project and Santan Expansion Project are not stated correctly (the referenced SRP load serving capability chart noted fiscal years and not calendar years). Kyrene Expansion Project is scheduled for Summer 2002 and Santan Expansion Project is scheduled for Summer 2005. Both projects have received ACC approval. Although Kyrene Expansion Project was reduced in scope from 825 MW to 250 MW, a long-term energy purchase has been made for the full output of the Reliant Desert Basin Plant to offset the reduction. APS is providing firm transmission service for the plant output with delivery to SRP at the Kyrene Switchyard.

SRP's existing and planned transmission system meets the NERC criteria for adequacy and security.

Section 3.4

SRP has an established Open Access Transmission Tariff filed with FERC and posted on Southwest OASIS. SRP has developed a cost based transmission system and charges the same tariff rate for constrained paths and non-constrained paths. When transmission lines are fully scheduled to their maximum rating, increased utilization of the system occurs and this potentially lowers the tariff rate for all users of the transmission system.

As the Commission is painfully aware by now, the transmission plans are greatly influenced by the generation plans. SRP will plan transmission additions to ensure that import capability plus local generation exceeds the forecasted load while maximizing the regional benefits of new transmission. If planned generation does not come to fruition then the transmission plans will have to be modified. The key element is the time factor in how long it takes to react with a transmission addition (local and regional electrical studies, siting, environmental permitting, public involvement, design and construction) for substantial changes in resource assumptions.

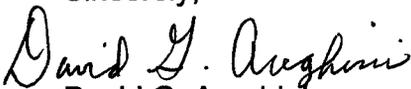
SRP, APS and TEP have been working with the Governor's staff and the Secretary of the Interior regarding the use of the recently declared National Monuments in Arizona to accommodate transmission that has been proposed and planned by the Transmission

Owners. A tremendous amount of progress has been made to ensure that the corridors required for the needed transmission facilities are available as planned. SRP is also interested in developing regional transmission solutions that serve its customers and provide benefits to others in Arizona. SRP is deeply involved in the CATS study and stated in its last Ten-Year Plan that, *"SRP plans to participate, in conjunction with other interested parties, in developing some or all of the transmission systems that result in meeting the stated objectives of the CATS study ... projects to be constructed by SRP will be reflected in the appropriate Ten-Year Plan submission"*. At SRP we have made, we are making, and we will continue to make transmission additions necessary to provide an adequate supply of low cost reliable power to our customers.

Commission staff and the subject report correctly point out the critical importance of transmission, that transmission issues are not easily or quickly resolved, the inherent consequences of inaction, that transmission plans are highly dependent upon generation plans and market assumptions, and that overall transmission plans are not coordinated with overall generation plans.

We welcome the opportunity to discuss these issues at the upcoming ACC staff workshop on May 10th. Please contact me if you have any questions.

Sincerely,


David G. Areghini

cc: Chairman William Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer
Hercules Dellas
Patrick Black
Paul Walker
Docket Control