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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE) DOCKET NO.
COMMISSION'S FIFTH BIENNIAL) E-00000D-07-0376

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TRANSMISSION ASSESSMENT ("BTA"),)
PURSUANT TO A.R.S. 40-360.02G,)

7

OF THE ADEQUACY OF EXISTING AND) JOINT WORKSHOP ON
PLANNED TRANSMISSION FACILITIES) RENEWABLE TRANSMISSION

8

TO MEET ARIZONA'S ENERGY NEEDS) ISSUES PURSUANT TO
IN A RELIABLE MANNER.) DECISION NO. 20635

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At: Phoenix, Arizona

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Date: June 5, 2009

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Filed: JUN 23 2009

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Arizona Corporation Commission
DOCKETED

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JUN 23 2009

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1	THIS TEXT WAS TRANSCRIBED FROM AN AUDIO RECORDING	
2	AGENDA	
3		
4	1. Welcome and Introduction (Brian Cole --	5
5	APS & Amanda Ormond -- Ormond Group LLC)	
6	2. Overview of First Workshop (Brian Cole)	12
7	3(a) RTTF ARRTIS Update (Amanda Ormond/Greg	75
8	Bernosky - APS)	
9	3(b) RTTF Update (John Lucas -- APS)	21
10	3(c) RTTF Finance Update (Tom Wray --	24
11	Southwestern Power Group)	
12	3(d) Overall Utility Analysis Update	26
13	4. Transmission Cost Recovery Primer	48
14	(Phil Dion -- TEP)	
15	5. Interconnection Process Review (Ron	81
16	Belval -- TEP/John Lucas -- APS/Rob	
17	Kondziolka -- SRP/Jim Rein -- SWTC)	
18	6. Utility Collective Thoughts on	118
19	Policy Issues (Brad Albert -- APS)	
20	7. Lunch	165
21	8. Discussion of the Arizona portion	165
22	Of the proposed Palo Verde -	
23	Devers #2 500kV line	
24	9. Open Discussion (Amanda Ormond -	181
	Moderator)	
	10. Action Item Summary and Next Steps	248

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2 BE IT REMEMBERED that the above-entitled and
3 numbered matter came on regularly to be heard before the
4 Arizona Corporation Commission, 1200 West Washington
5 Street, 1st Floor, Phoenix, Arizona, commencing on the
6 5th day of June, 2009.

7

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BEFORE: KRISTIN K. MAYES, Chairman
9 PAUL NEWMAN, Commissioner
10 SANDRA D. KENNEDY, Commissioner

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Katherine A. McNally
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2 (Commencement of electronically recorded
3 proceedings.)

4 MS. ORMOND: Good morning, everyone. We're
5 going to get started.

6 Good morning, good morning.

7 MR. COLE: Good morning, everyone. Let's --
8 let's get started. We've got a full agenda today.

9 I'm Brian Cole, with APS. I want to thank you
10 all for coming today to our second workshop, which is
11 really more of a continuation of the first workshop.

12 To start off with, I want to make sure I thank
13 Amanda, up front, for agreeing to be the moderator, again,
14 today. We didn't abuse her too bad last time, evidently,
15 and she came back.

16 The other thing is I wanted to let everybody
17 know, up front, that we do plan on having at least one
18 more workshop sometime between now and October 31st.
19 About the only thing I can tell you -- because that's all
20 we know -- is that it cannot be any -- any earlier than
21 probably the end of August, early September. So a lot of
22 it will be predicated on what we're able to get through
23 between now and then -- all of the analysis that we have
24 to do.

25 So on that note, I am going to turn it over to

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2 Amanda to get things rolling. Thanks.

3 MS. ORMOND: And in case you didn't know, that
4 was Brian Cole, from APS.

5 MR. COLE: I said that.

6 MS. ORMOND: Did you? Oh, I didn't think you
7 did.

8 Good morning, everybody.

9 Will you tell me if you were here last time for
10 one of these workshops? Good deal.

11 Okay. We're, basically, going to follow the
12 same format. We're going to try to have this morning a
13 bunch of pretty quick presentations. We're hopefully
14 going to get through them all this morning, but you never
15 know, it depends on questions and how things go.

16 The afternoon we're dedicating to -- to
17 questions -- talking about financing, transmission, and a
18 variety of different things. We're going to be able to
19 post the question on a slide and hopefully generate a lot
20 of dialogue. We know this room is not superconductive to
21 discussion, but we're going to try to have the best
22 discussion that we can.

23 So to get you all to know who is in the room,
24 we are going to pass the mike. And if you would just give
25 us your name and affiliation, we'll get a little better

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2 idea of who is in the room.

3 So I'm going to start back here.

4 MS. AGUAYO: Stacy Aguayo, APS.

5 MR. WRAY: Tom Wray, SouthWestern Power Group
6 and SunZia Southwest Transmission Project.

7 MR. LUCAS: John Lucas, APS.

8 MR. BERNOSKY: Greg Bernosky, APS.

9 MS. BRANDT: Jana Brandt, SRP.

10 MR. ALBERT: Brad Albert, with APS.

11 MR. KRZYKOS: Peter Krzykos, APS; also chairman
12 of Renewable Transmission Task Force.

13 MR. BAHL: Prem Bahl, Corporation Commission
14 Staff.

15 MR. BAGLEY: Ken Bagley, Genesee Consulting,
16 and chair of the Colorado River Transmission
17 Subcommittee.

18 MR. GORSEGNER: Eric Gorsegner, Sonoran
19 Institute.

20 MR. McNEIL: John McNeil, Central Arizona Water
21 Conservation District.

22 MR. TOBIN: Ric Tobin, private attorney.

23 MR. ATLURI: Vasudeva Atluri, with Renavitas.

24 MR. DRYE: James Drye, Renavitas Technologies.

25 MS. WOODALL: Laurie Woodall, from KR Saline

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2 and Associates.

3 MR. SMITH: Jerry Smith, from KR Saline and
4 Associates.

5 MR. MOORE: Ray Moore, with the Arizona State
6 Land Department.

7 MR. STONEBERGER: Don Stoneberger, with
8 Freeport-McMoRan Copper & Gold.

9 MS. FOOTE: Hilary Foote, with Horizon Wind
10 Energy.

11 MR. CHARTERS: Jim Charters, Western States
12 Energy Solutions.

13 MS. KING: Susan James King, with 3M.

14 MS. MARTINEZ: Tanya Martinez, from U.S.
15 Solar.

16 MR. SMITH: Paul Smith, APS.

17 MR. BLUE: Greg Blue, with SunPower
18 Corporation.

19 MR. BAAK: Jim Baak, The Vote Solar
20 Initiative.

21 MR. ETHERIDGE: Randy Etheridge, ACCIONA
22 Energy, North America.

23 MR. DINKEL: Pat Dinkel, Arizona Public
24 Service.

25 MR. BELVAL: Ron Belval, Tucson Electric

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2 Power.

3 MR. REIN: Jim Rein, Southwest Transmission
4 Cooperative.

5 MR. EVANS: Bruce Evans, Southwest Transmission
6 Cooperative.

7 MR. O'DWYER: Luke O'Dwyer, SRP.

8 MS. WHISLER: Laurel Whisler, SRP.

9 MS. KIPNES: Jill Kipnes, with Robert Lynch and
10 Associates.

11 MR. RASMUSSEN: Brian Rasmussen, with
12 BrightSource Energy.

13 MR. SMITHERS: Phil Smithers, APS.

14 MR. STAHLHUT: Jon Stahlhut, APS.

15 MS. CALKINS: Ian Calkins, Copper State
16 Consulting Group.

17 MR. DeWITT: Mike DeWitt, APS.

18 MS. BOLLIG: Jennifer Bollig, URS Corporation.

19 MR. MARTIN: Tom Martin, Electrical District
20 Number 2.

21 MR. OLSON: Mike Olson, Western Area Power.

22 MR. MOULTON: Ron Moulton, Western Area Power
23 Administration.

24 ~~MR. WRIGHT: Bill Wright, EC Source.~~

25 MR. BELL: Joel Bell, IBEW.

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2 MS. JOHNSON: Stephanie Johnson, from Fennemore
3 Craig.

4 MR. ARREOLA: Eddie Arreola, BLM.

5 MS. DEPUKAT: Kathy Depukat, BLM, Phoenix
6 District.

7 MR. SPRAGUE: Ron Sprague, ETA Engineering.

8 MS. SZOT: Lisa Szot, Tessera Solar.

9 MR. GROVES: Jack Groves, Power Engineers.

10 MS. BAILEY: Cindy Bailey, Southwestern Power
11 Group.

12 MS. HARRIS: Theresa Harris, Tetra Tech.

13 MR. RUSSELL: Chuck Russell, SRP.

14 MR. ROMERO: Gary Romero, KR Saline and
15 Associates.

16 MR. HSU: Jim Hsu, PDS Consulting.

17 MR. HOGAN: Tim Hogan, Arizona Center for Law
18 in the Public Interest.

19 MS. MELCHER: Amy Melcher, an intern at the
20 Arizona Center For Law in the Public Interest.

21 MS. McCORMICK: Barbara McCormick, Tucson
22 Electric Power.

23 MR. CHASET: Nick Chaset, Tessera Solar.

24 MR. STRAUSS: Sid Strauss, EC Source.

25 MR. STRACK: Jan Strack, San Diego Gas and

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2 Electric.

3 MR. HUTTON: Phil Hutton, Kleinfelder.

4 MS. ANDERSON: Darcy Anderson, Kleinfelder.

5 MR. HOISINGTON: Ben Hoisington, Diné Power
6 Authority.

7 MR. BEETER: Brian Beeter, New Dawn Energy.

8 MR. HORYZA: Chris Horyza, Bureau of Land
9 Management.

10 MR. DION: Phil Dion, Tucson Electric Power.

11 MS. ANDREASON: Erinn Andreason, APS.

12 MR. BECK: Ed Beck, Tucson Electric.

13 MR. COUTURE: David Couture, Unisource Energy.

14 MS. SCHWARTZ: Cyndy Schwartz, Arizona State
15 University.

16 MR. AVEY: Josh Avey, Arizona Game and Fish.

17 MS. CORVACA: Laura Corvaca, Game and Fish.

18 MR. MCGUIRK: Joel McGuirk, Sun Minor.

19 MR. EMERSON: Charlie Emerson, Trico Electric
20 Power.

21 MR. SMITH: Bob Smith, APS.

22 MR. WILLIAMSON: Ray Williamson, from the
23 Arizona Corporation Commission Staff.

24 MR. GULDNER: Jeff Guldner, APS.

25 MR. MILLER: Dean Miller, Husk Partners.

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2 MR. DODENDORF: Lew Dodendorf, Solar Materials
3 Group.

4 MR. ENOCH: Nick Enoch, with Luben and Enoch.

5 MS. ORMOND: You guys passed. Good job.

6 Didn't have to get the mike at all.

7 So we are going to start off today -- I think
8 everybody's, hopefully, seen the agenda. If you did not
9 know the materials have been posted on both the
10 WestConnect web site -- and I don't know if they're up on
11 the Commission web site yet, but if they're not, they will
12 be. And we didn't want to provide paper copies, so
13 hopefully you had a chance to look at some of the
14 presentations.

15 We're going to start with a really quick
16 overview of what we did last time, with Brian Cole.

17 MR. COLE: Okay. On that really quick note, I
18 will keep it really quick.

19 So I'm going to take you through the brief
20 overview. She already reminded you about the
21 presentations. A couple of notes -- I'm not going to
22 cover the ARRTIS or finance group presentations from last
23 time, because the next presentation is actually an update
24 of those groups.

25 And then the other thing would be that in the

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2 interest of time, and because we are going to have a
3 policy presentation later on in the agenda, as well as an
4 afternoon of policy discussion, I will not be going over
5 the individual utility policy presentations from the last
6 workshop. However, they are included as a sort of key
7 points from each of those presentations, as part of the
8 presentation that you can look at, at a later time, or you
9 may already have looked at them. But I won't go over them
10 here today.

11 So on that note, the reminder of why we're
12 here, briefly, BTA Order 70635 requires a couple of things
13 that we, as the Commission, regulated utilities conduct
14 workshops or series of planning meetings. We did that on
15 April 20th. We are doing another one here today as a
16 continuation of that, so we can get to the things we
17 didn't get to last time.

18 A key point on there being we want to make sure
19 we do this in a manner that will support the growth of
20 renewables in Arizona.

21 The other piece of that -- and sort of the --
22 the bigger picture and final answer sort of thing is the
23 obligation of the Commission regulated utilities to, by
24 ~~October 31st, use all of the information that we're able~~
25 to gather in all of these workshops, work groups, and

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2 everywhere else, and develop plans to identify future
3 projects, identify our top three transmission projects --
4 I'll throw in at least -- and then also develop plans and
5 propose funding mechanisms to construct those top three
6 transmission projects. So that's why we're here.

7 So a quick overview of the presentations from
8 last time. The first was an overview. And in this
9 presentation, we talked about the utility evaluation
10 process, including economic evaluation and policy
11 analysis. Recall that this is going to be done by each
12 utility individually as well, so we can identify any
13 common projects that are out there.

14 We also talked about the economic value of
15 various renewable projects and how they're different for
16 each utility and our customers, and that quantity and
17 timing of the output of those projects is very important
18 to the analysis that the utilities do.

19 And then, lastly, we talked about the utility
20 evaluation, using input from several groups who are
21 represented here today, including the Renewable
22 Transmission Task Force, the ARRTIS group under that, and
23 also the finance group, as well as the previous workshop
24 and this workshop that we're in here today.

25 So all of those things will be inputs that the

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2 utilities will draw on in order to do our -- our analysis
3 and get to that October 31st answer.

4 The next presentation was by Brad Albert from
5 APS, and it was on the overall utility planning process
6 and associated transmission issues. He talked about the
7 fact that the need determination was made through a
8 resource planning process, and that REZ requirements,
9 energy source diversity, risk mitigation, and strategic
10 reasons all fit into why you end up building transmission
11 for resources.

12 He also talked about the fact that there are a
13 lot of uncertainties and that the procurement process
14 itself can change assumed project locations, and the fact
15 that technology advancements and other assumption changes
16 can also change transmission priorities.

17 And then, lastly, he talked about the fact that
18 the transmission for import versus transmission for export
19 are -- are sort of different animals. The one thing that
20 they have in common, though, is that commitments for
21 either one are needed in order to move forward.

22 The next presentation, which was by Rob
23 Kondziolka of SRP, was sort of an overview of all of the
24 planning organizations. And what I've done here is just
25 include all of the ones that more directly touch and

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2 effect this BTA order process and its evaluation process.
3 So I'll let you look through those.

4 And then -- and then, lastly, for what I'll
5 cover, Ed Beck, from Tucson, talked about an overview of
6 federal and state regulatory processes for siting of
7 transmission lines and other state transmission models.
8 He briefly went through the Arizona line-siting process
9 and the steps involved. He talked about state
10 transmission authorities, which, in general, were enacted
11 to help facilitate and enable and even perhaps finance
12 some of the new transmission.

13 Wyoming Infrastructure Authority, established
14 in 2004, has the ability to construct, obtain, own, and
15 operate eligible facilities.

16 New Mexico Renewable Transmission, or RETA,
17 established in 2007, has focused on export.

18 The Colorado Clean Energy Development
19 Authority, or CCEDA, is focused on renewable energy
20 transmission projects in Colorado itself.

21 He briefly talked about other models, such as
22 Tehachapi, where initially the costs are socialized among
23 all of the California ratepayers who are part of the
24 Cal ISO and that, after the fact, as interconnection
25 projects connect to those transmission projects, that some

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2 of those funds are paid for by the interconnectors, and so
3 that amount that is left on the Cal ISO members becomes
4 smaller and smaller.

5 And then, lastly, he touched on the potential
6 for federal siting authority. And at the time he did
7 that, it was very much up in the air, and I would say that
8 has not changed today. That's still going on and still a
9 big issue in Washington.

10 So on that note, I will conclude that.

11 And Amanda, note the timing and how I got done
12 in plenty of time. And I'll let her turn it over to the
13 next presentation.

14 MS. ORMOND: Thank you, very much, for your
15 timely presentation.

16 The next is a group to try to -- to update you
17 on all the activities that have led up to this workshop.
18 And so we -- we have presented most of these, last time,
19 and so we just want to give you a quick snapshot of what's
20 been done, if anything has changed, or what the final
21 products are from -- from these groups, and -- and they
22 are ARTIS.

23 And we're going to let -- we're going to let
24 Greg take that one. And I'll chime on, if necessary.

25 MR. BERNOSKY: Thanks, Amanda. There we go.

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2 The ARRTIS acronym, for those that sat through
3 the alphabet soup explanation last time, stood -- stands
4 for Arizona Renewable Resource and Transmission
5 Identification Subcommittee, and as the previous flowchart
6 noted, is a subcommittee to the Renewable Transmission
7 Task Force under SWAT, and it was established in January
8 of this year to support the identification of potential
9 renewable resource areas in the state and the associated
10 transmission that would potentially be required to access
11 those areas and bring them to load pockets in support of
12 the BTA direction.

13 So during the April 20th workshop, we had
14 provided information about our -- our efforts to date. At
15 that time we had conducted six meetings. We had had a
16 really good participation from a broad group of
17 stakeholders, including land management agencies,
18 environmental groups, developers, utility
19 representatives. And we've really been pleased to have
20 the amount of input, both from a data -- the providing of
21 data to the process, as well as input and participation.

22 So since the April 20th workshop we conducted
23 two additional meetings, and we were able, during that
24 time period, to also complete our resource data
25 acquisition and categorization.

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2 For those that were following the process, we
3 had quite a bit of information -- over 50 distinct data
4 layers provided by agencies, including National Renewable
5 Energy Laboratory, the Bureau of Land Management, the U.S.
6 Forest Service, the U.S. Fish and Wildlife Service, and
7 the Game and Fish Department -- amongst others.

8 We used a categorization system to identify the
9 resources that were provided as potentially having high,
10 moderate, low, or exclusion sensitivity criteria. We were
11 able to complete our resource sensitivity mapping, based
12 on the information provided; and moved into the second
13 phase of the -- the process, which was to help in the --
14 the broad or Renewable Transmission Task Force efforts of
15 identifying the existing transmission and
16 federally-designated corridors that are -- exist in the
17 state now, as a means to looking at what areas could be
18 upgraded, expanded, or where there were deficiencies to
19 access renewable areas and new transmission may be -- may
20 be required.

21 The group has developed a summary white paper
22 outline. The white paper will be developed sometime
23 during the course of the summer of this year, again,
24 ~~pointing out that this is a SWAT subcommittee -- that is~~
25 all -- all this material and -- and the white paper itself

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2 will be subject to SWAT approval, which we expect in the
3 August time frame. So during the next couple of months,
4 ARRTIS participants will probably be seeing information
5 about some draft sections pulled together and -- and
6 soliciting their input.

7 And -- and lastly, the group's been supporting
8 the Renewable Transmission Task Force broader corridor
9 identification efforts, which Mr. Lucas will talk about
10 here in just a minute.

11 I have one slide to -- to show that represents,
12 basically, where the ARRTIS group mapping effort concluded
13 during the process. And this is going to be a little bit
14 of a spin on the map that we showed at the last workshop.
15 If you recall, we had quite a bit of dark color on the
16 state showing where exclusion and high sensitivity areas
17 were -- were located.

18 What we thought was more productive, as we got
19 a little more refined in our data analysis, was to move
20 those types of layers to the background, and sort of focus
21 on the areas that were more developable based on the
22 information we received, and that's what this map
23 represents from a color standpoint.

24 ~~The darkest colors, which are in the brown --~~
25 and Brian's kind of mousing over them right now -- you

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2 could see they're along some of the I-10 and I-8
3 corridors, and then some towards the southern portion of
4 Phoenix and northeast of Phoenix -- were identified as our
5 low sensitivity areas.

6 Those, if -- again, were the areas designated
7 as having the likelihood of the lowest level of impact
8 potential, and therefore, a lower level of risk associated
9 with the permitting of utility scale generation
10 facilities.

11 Our -- our ramp of sensitivity moved up to
12 moderate to high, and ultimately to exclusion, where in
13 exclusion areas there were areas that were precluded by
14 law or statute or specific policy that just would not
15 allow those types of developments.

16 So this map was representative of the
17 information that we received. I think it's important to
18 note that this was information that was not field
19 verified, peer reviewed. It was information provided by
20 the agencies.

21 We did not push back on any of the designations
22 that were made during the process. We simply wanted to
23 gather some information that we could use to take forward
24 in the transmission identification process. These were
25 not intended or are not intended to be hard and fast zones

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2 in which development can or cannot occur.

3 It was purely intended to give us a snapshot of
4 what are some of the more likely areas that could develop
5 and how does the transmission system relate to those
6 areas. So from that standpoint, our effort was more of a
7 means to an end for the effort that John will be talking
8 about here in just a moment.

9 I think that concludes kind of the highlights
10 of what we've been up to since -- since the 20th.

11 MS. ORMOND: Good. We're going to switch to
12 John Lucas, and he's going to talk about the Renewable
13 Transmission Task Force of the SWAT.

14 MR. LUCAS: Good morning.

15 I'll be providing a brief update on the RTTF
16 update.

17 Developments since our last workshop on
18 April 20th -- there's been two meetings that occurred in
19 May. Specifically talking about the May 12th meeting,
20 attended by approximately 40 participants that entailed
21 people from various utilities, developers, and their
22 agency representatives.

23 The task, during that meeting, was to divide
24 into -- take in the task force, divide up to three groups,
25 and look at, statewide, the renewable transmission

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2 options, based on what ARRTIS provided -- the map that
3 Greg previously showed us, along with information they had
4 on where existing interconnection requests exist, along
5 with anything else they may bring forward in that
6 meeting. So the outcome of that particular meeting was
7 three maps showing possible renewable transmission lines
8 to bring renewables to the various load centers.

9 The May 22nd meeting, the second one since the
10 workshop, took those three maps and -- and assimilated
11 them into a single set of potential renewable transmission
12 lines, and probably better said is the corridors.

13 They also discussed the next steps -- should we
14 be doing technical studies and so forth from -- from
15 that? And that was concluded it wouldn't be appropriate,
16 since there was so many lines and alternatives provided
17 that that first needs to be narrowed down to a limited
18 number of lines; and then, by high level, could be looked
19 at from a power flow standpoint by the various utilities.
20 But really after those three potential lines are
21 identified, then after that particular time frame, then
22 detailed studies could occur from that point.

23 So the results -- next page -- as you can see,
24 everything in blue was results of those three different
25 committee -- I would say three groups, combined on this

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2 map.

3 Results are in -- this is all identified for
4 renewable lines that would support renewable trans --
5 renewables moving to load centers. On this map, you'll
6 see that there's lines that are in plans -- ten-year
7 plans, permitted lines, and lines that haven't even been
8 identified before. So this was basically the outcome of
9 that, and it utilizes the results from the ARRTIS, drawing
10 lines where we think we can move those resources.

11 This concludes for me, Amanda.

12 MS. ORMOND: Okay. We're going to take --
13 we're going to take these four quick presentations, and
14 then I'll ask for questions.

15 But it is hard to discern, from this map,
16 what's new, what's not -- well, it is impossible to
17 discern what's new, what's not new. But I think as we
18 move through the process, we will be able to bring
19 information so you can see.

20 One of my takes from participating in this
21 whole effort was that a lot of what was proposed in this
22 map by the different participants are not new lines. They
23 are actually -- or -- or they're in, in corridors that do
24 exist. We didn't really find huge renewable areas that we
25 needed to build whole new transmission systems to access.

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2 So I think that was one of the -- kind of the
3 successes of the projects, from my standpoint, is that
4 upgrades and additional lines along a corridor may be able
5 to access a lot of the best renewable energy resource
6 areas that we have in this state.

7 So we are going to go now to Tom Wray.

8 Tom Wray is handling the finance group of the
9 Renewable Transmission Task Force of the SWAT -- Southwest
10 Area Transmission group.

11 MR. WRAY: Thanks, Amanda.

12 The headline for today is that the third
13 meeting of the finance subcommittee has been scheduled for
14 June 16th, here in Phoenix, out at the PERA Club in
15 Scottsdale, that's Project Employee Recreation Association
16 facility that some of us are familiar with. It's a good
17 place for the meeting. We met there last time and that's
18 where we'll be meeting again. We'll start that meeting at
19 1:30 p.m. on June 16th. That's being advertised through
20 SWAT and through our own mailing list, as well as being
21 posted at West Connect.

22 The -- the emphasis of this next meeting is
23 going to be on hearing from individual stakeholder groups,
24 as to their ideas as to how this Commission might
25 entertain cost recovery and allocation of incentive rates

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2 of return on common equity for transmission investments
3 that are attributable to and encouraging development of
4 renewables inside the state of Arizona, either for instate
5 consumption or export.

6 So we're sort of going to turn this next
7 meeting over to the stakeholders to hear from them and
8 collect their ideas. That'll be the -- the main emphasis
9 of this meeting.

10 There will be additional meetings, this summer,
11 of this subcommittee, with the end product being a final
12 report, but, more importantly, a draft form of order to be
13 considered.

14 All the materials that the subcommittee is
15 generating, including presentations that might be
16 presented at the third meeting of the subcommittee on
17 June 16th, are being filed in the information docket that
18 the Commission has opened on this matter. So it is being
19 collected in that record.

20 Thank you.

21 MS. ORMOND: Okay.

22 MALE SPEAKER: And one more piece.

23 MS. ORMOND: Yeah, go.

24 ~~MR. COLE: Okay. So you heard about the~~
25 updates from RTTF, ARRTIS, and the finance group.

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2 And Tom brings up a good point, all of the
3 presentations from today and from the last workshop are
4 also posted within the docket that's listed on the
5 presentation, as well as the informational docket.

6 Thanks for reminding me of that, Tom.

7 So they've done a lot of work and will
8 continue, especially Tom's group, will continue to do a
9 lot of work throughout the summer to try to help the
10 utilities make the best decisions we can in order to get
11 to October 31st -- of course, this workshop being one of
12 the inputs to that.

13 So now it's kind of time for the -- the
14 individual utilities to kind of go back and -- so -- so
15 here's -- here's sort of the overview, and there's your --
16 your input from the groups and then also input from the
17 workshops.

18 So now it's kind of time for the utilities to
19 go and take all of this information, and information we
20 get along the way, and do some analysis on what do these
21 transmission projects look like to each of the individual
22 utilities, and also collectively among utilities; and then
23 also look at some of the policy issues -- things like
24 funding mechanisms and cost recovery, and try to come up
25 with some plans that help us to get to the point where we

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2 can go and build this renewable transmission.

3 And then, lastly, the last thing I think I'll
4 mention is, like I said earlier, we do plan on having
5 another workshop at some point along the way, sometime
6 before October 31st. Timing and content are pretty fuzzy
7 right now, because we've got to get through some of this
8 analysis and see where we're at. But do plan on having
9 another one sometime before then. Again, no earlier than
10 end of August, early September.

11 So that's about it.

12 And I think Amanda will take questions at this
13 point.

14 MS. ORMOND: So we ran through stuff pretty
15 quickly. But the ARRTIS group has done a lot of work; the
16 finance group has started to do a lot of work. We are
17 throwing all of this material back to the utilities for
18 them to do their work, to come to meet the order that they
19 have to by October.

20 Are there questions about process and what's
21 been done to date, or anything about the mapping, or
22 what's being proposed?

23 And we're going to use the mike, just because
24 we've got the Listen Line, and it's clearer for people on
25 the phone.

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2 Thank you.

3 MS. WOODALL: Sorry. This is a persnickety
4 question, is --

5 This is Laurie Woodall from KR Saline.
6 Everyone knows who I am.

7 (Laughter.)

8 FEMALE SPEAKER: Not on the phone, they don't.

9 MS. WOODALL: Sorry.

10 I understand that there are two separate
11 dockets in which materials are going to be filed that
12 relate to the BTA order.

13 Is there some convention as to what goes in
14 each docket? Or if someone wanted to put something in the
15 record, should they be filing it in both? If anyone
16 knows.

17 MR. COLE: Do you want to take it Amanda or do
18 you want me to take it?

19 MS. ORMOND: Go ahead.

20 MR. COLE: We have been filing all the
21 presentations related to anything that's in response to
22 the BTA order directly in both of the dockets -- both in
23 the informational docket and the docket from the BTA order
24 itself. So all of the things related to these workshops
25 you'll find there.

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2 I'm not sure if that's the same convention for
3 each of the SWAT-related work groups, but they are all
4 filed under the West Connect moniker and also on the ACC
5 web site.

6 And Prem, are the -- they up already for this
7 workshop?

8 MR. BAHL: Yeah.

9 MR. COLE: Okay. So all of the presentations
10 and all of the other information are -- are -- are located
11 in those places.

12 MS. WOODALL: This is Laurie Woodall, again.

13 I guess what I was trying to focus on is if
14 individuals had comments that they wanted to make with
15 respect to the presentations, does anyone have an idea
16 about which docket they should be filing their comment, so
17 that they are of record at the Commission or -- or should
18 they just automatically file them in both?

19 MR. COLE: I would think that the -- filing
20 them in both would be fine, but the informational docket
21 is probably a more open type of docket to use.

22 Thanks, Laurie.

23 MS. ORMOND: And if we find out something
24 different, we'll -- we'll let the group know.

25 MR. COLE: Yeah.

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2 MS. ORMOND: So other questions?

3 MR. STRACK: I'm Jan Strack, from San Diego Gas
4 and Electric.

5 And I've reviewed the presentations from
6 today's meeting and the earlier meetings, and so I
7 apologize if I didn't -- I don't know all the background
8 here, so maybe it's a short answer.

9 It wasn't clear to me how you're actually going
10 to winnow down the vast potential that it appears has been
11 identified so they actually end up for three projects.
12 And I was looking for some input on how that's going to
13 happen.

14 MR. COLE: So I'll take that one.

15 So what we're going to do is we've taken the
16 information from the ARRTIS group, which has identified
17 sensitivity areas and established what low sensitivity
18 areas are within the state.

19 We have information, as the utilities, on what
20 areas have high solar potential. We have information on
21 what areas have high wind potential.

22 And keep in mind that the goal of this whole
23 process in this BTA order is to establish what
24 transmission we need to develop renewables within the
25 state of Arizona.

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2 So we're looking at both the -- I'll call it
3 import -- which is serving our own load here in Arizona,
4 as well as whatever might be able to be done as far as an
5 export of renewables within Arizona.

6 Now, to get to the three -- getting to your
7 question directly -- the analysis the utilities will have
8 to do will consist of two pieces. It'll consist of an
9 overall, I'll call it, "economic analysis" that takes into
10 account both the -- the value of the renewables and the
11 areas that they are, as well as the transmission costs
12 associated -- so it sort of packages things together, as
13 well as looks at the timing of when that energy would be
14 delivered to the utility and its customers.

15 So that sort of is the economic portion of it.
16 And that analysis will be done by the utilities, both
17 individually, and then, as we sort of start narrowing
18 down, we're going to get together with the other utilities
19 in the state and establish if there are commonalities in
20 places where we can look at the same project together.

21 And then the other piece of that is, I'll call
22 it the "policy issues" or "financeability issues" and --
23 and how do we do the cost recovery.

24 So one of the things that the Commission has
25 done is ask for us to come back with, What are the

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2 thoughts and what are ideas that we can use in order to
3 push this forward and allow the utilities a way in order
4 to get this transmission built that supports the
5 renewables within the state?

6 So those two things, together, will help us
7 identify what those top projects are.

8 Now, it may not be three exactly -- but the
9 idea is each utility will come up with at least three.

10 And SRP, by the way, has committed to be part
11 of this, even though they're not under the jurisdiction of
12 the Arizona Corporation Commission.

13 Did that answer the question?

14 MR. STRACK: Thank you.

15 MR. COLE: You bet.

16 MS. ORMOND: So the -- the utilities are going
17 to come back with their top three because they are
18 required to do so.

19 So my question is, If I'm a merchant
20 transmission developer, how do I get to be part of this
21 process?

22 MR. COLE: And the answer to that would be to
23 continue to be part of these workshops. Also they've been
24 part of the ARRTIS process, part of the RTTF process,
25 where we identified what those transmission projects are.

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2 If the utilities identify that there are
3 projects out there that they need -- I'll call it --
4 "help," in other words, they don't necessarily want to see
5 the entire thing for themselves, that's where they'll look
6 to outside. But in order to do -- to get to that point,
7 they've got to identify that those are going to be
8 economic for the utilities first.

9 MS. ORMOND: Other questions? Our work's
10 perfect?

11 MR. SMITH: Jerry Smith, with KR Saline and
12 Associates.

13 I guess this is the appropriate point for me to
14 offer some comments about my concern about where we are
15 with this process.

16 My concern is that we not only have a lot of
17 projects in the utilities interconnection queues, but we
18 also have a lot of information that is being made
19 available through the media about all of the development
20 opportunities for renewables in the state of Arizona.

21 As an example of that, the article yesterday
22 about the BLM land applications, I think, says it very
23 well. If you take the applications in the BLM area and
24 only a third of that were to develop, it would represent
25 35,000 megawatts of renewables.

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2 I'm not aware of any place in the Western
3 United States that there are any technical studies looking
4 at, How do you deliver large volumes of renewable energy
5 from the Desert Southwest?

6 My concern is that we are still at the crayon
7 stage that we were at two and a half years ago regarding
8 technically developing some concepts of what transmission
9 is needed -- not just to serve Arizona -- but to be able
10 to enable the renewable development to reach multiple
11 markets.

12 Now, I -- I am pleased to see that we're seeing
13 renewable projects being identified to serve Arizona load,
14 and it's my sense those projects are going to meet the
15 Arizona Corporation Commission renewable requirements, and
16 probably will be accomplished without major transmission
17 investments.

18 But the larger picture is not being studied,
19 and that is my concern.

20 MS. ORMOND: So Jerry, what would you suggest?

21 MR. SMITH: There needs to be some sort of a
22 technical forum established that would undertake the
23 technical studies to explore that topic.

24 ~~This is a task that is out there presently for~~
25 the SWAT RTTF, and it's been there as a -- as a study

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2 request now for two years.

3 We, still -- in today's presentation so far, we
4 have not seen how those studies are going to be activated
5 and -- and what kind of time schedule that type of study
6 activity would pursue.

7 If that group is going to proceed to do those
8 studies, it would be nice for that to be known so that we
9 can have some assurances that we do have an end game in
10 mind, in terms of technical studies. If that group is not
11 going to do it, I would think this Commission should have
12 enough concern about the lack of activity to recommend
13 some alternative means of getting studies done.

14 MS. ORMOND: Thank you.

15 I think this afternoon we're going to be asking
16 a bunch of questions that will lead into some of that.

17 One of the key questions we're going to be
18 asking is about exporting -- How much exporting should
19 Arizona be planning on doing? What's the responsibility
20 of the utilities? What's the responsibility of the ACC?
21 What kind of rules changes do we need?

22 So I think we'll feed into some of that this
23 afternoon.

24 I wanted to recognize that -- that Commissioner
25 Newman has -- has joined us this morning, as well as his

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2 aide and -- and Chairman Mayes' aide.

3 COM. NEWMAN: And if I might just say,
4 Ms. Mayes would have been here. She had another
5 engagement, the Arizona Mexico Commission, speaking on
6 solar. That's the only reason why she's not here.

7 She asked me to come by to make sure that at
8 least a member of the Commission was here at all times --
9 and so I am a little late.

10 But I did hear the initial comments, on which I
11 came in on, which was the 64 million, 64,000, 64 billion
12 dollar question about, you know, what we're doing with
13 regard to studying this issue.

14 And at a couple meetings ago, I actually
15 mentioned the same thing. I kind of challenged the people
16 in the room what should we -- we should be doing -- and
17 your -- your statements are just spot on. And I hope that
18 during the course of the day, we'll -- we'll get into
19 that.

20 It seems to me that if -- if this is beyond the
21 expertise of any one entity, it seems to me that the
22 Commission needs to be taking a lead and at least setting
23 up the -- the working group or the -- the forum, if you
24 will, and do whatever we can to get the money that's
25 needed to get the technical expertise to -- to find the

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2 answers to these questions.

3 We could do it on a state-by-state basis; we
4 could do it on a regional basis. But this will call for
5 some intergovernmental work that the Commission needs to
6 be a leader on.

7 MS. ORMOND: Okay. Thank you.

8 Do the utilities want to respond at all to --
9 to the statements made about what needs to be done?

10 Oh, Allen?

11 MR. SIMMONS: Allen Simmons, Commission Staff.

12 One question, I -- I notice on the maps,
13 obviously, covering the whole state, was there -- is there
14 a policy of tribal conservation of tribal lands?
15 Obviously, they are a large part of Arizona, and I was
16 wondering if there was -- how that -- that worked in this
17 process.

18 I know we have a representative of Diné Powers
19 here, and I'm happy to see that.

20 But what about all of the tribes in Arizona?
21 Are they consulted in this project, or is there
22 (indiscernible)?

23 MALE SPEAKER: We had representation from the
24 Intertribal Council of Arizona, and Diné Power Authority,
25 specifically, had representation on our ARRTIS committee.

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2 And through -- because the ITCA Intertribal Council are
3 only represent high-level views, each -- each policy
4 decision is made on a -- on a tribe-by-tribe basis, that
5 they want to convey sort of the high level messages back.

6 What we heard was the tribes are interested in
7 renewable projects, they're interested in renewable
8 energy, and they're interested in being part of the
9 discussion.

10 We made a decision during the process, with the
11 input of those folks, that because there are unique
12 cultural significance to tribal areas -- water issues, et
13 cetera -- that they would be designated as high
14 sensitivity areas on our mapping, because of -- of the
15 nature of working through some of those particular
16 issues. But they certainly want to be a part of the
17 discussion, going forward, and then we want to make sure
18 that we facilitate that, to the extent that we can.

19 MS. ORMOND: And we did end up showing the
20 Navajo transmission line on the map, so that is showing on
21 the map, which obviously is in the planning process.

22 COM. NEWMAN: I might add, not only Navajo, but
23 from the folks that I -- I talked to in Southern Arizona,
24 the O'dom Reservation is a very -- very -- is a -- is a
25 fantastic resource for solar. And I -- I know the

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2 reservation very well.

3 And although there are areas, of course,
4 that -- that, you know, need to be very sensitively looked
5 at, there are other areas out in the western side of
6 the -- of the reservation that are important. And I know
7 that there are members of -- of the county and city
8 government and -- and I -- I -- I know that tribal members
9 and the tribal chairman are interested in looking at
10 this. And -- and -- and it's very, very important that we
11 include all -- all state cultures in these discussions.

12 But I am concerned about some of the maps that
13 I saw earlier in the process superclusing 95 percent of
14 Arizona from solar development. I -- we -- we've engaged
15 in some quiet discussions with some of the makers of the
16 maps and the decision-makers in those agencies.

17 But that is also something that I've got to
18 tell you I'm concerned about. And when -- when they leave
19 out, you know, places like the O'dom Nation, without
20 consulting with the O'dom Nation -- and you know -- you
21 know, that is a concern to me.

22 And I am, I think, as much as any of the five
23 members of the Commission, I am very, very environmentally
24 sensitive -- could be the most environmentally sensitive
25 person on this Commission, and I just don't get those

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2 maps.

3 So that's another issue that -- that I -- I was
4 very concerned about a couple weeks ago, still am
5 concerned about.

6 And to my mind -- the solar industry, we need
7 to develop an export industry for the solar industry; we
8 need to develop the proper transmission lines; and -- and
9 no matter who you are on -- on the -- on the -- on the
10 scale of -- of how sensitive to you -- are -- you are to
11 the environment, there are compromises that absolutely
12 need to be -- need to be made for climate change reasons
13 and for the cost -- economic reasons for the state of
14 Arizona.

15 So I just wanted to -- the O'dom Nation, as --
16 as well, needs to be included. Everybody needs to be
17 included. I'm so happy to see everyone here this
18 morning. Again, this is a fantastic turnout, and these
19 discussions are just very, very important. And hopefully,
20 we'll be able to get some solutions soon.

21 MS. ORMOND: To follow up on your questions, we
22 worked with tribal representatives that we had.
23 Certainly, the maps can be changed for individual that --
24 or entities that wanted them changed.

25 One of the things I don't think we mentioned is

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2 that we've been trying to figure out, What do we do with
3 these maps next? Because as a lot of you know different
4 states have taken different tacts on how to do renewable
5 energy maps. And so we have been talking with some of the
6 state agencies about whether they will pick up this effort
7 and be able to -- to keep moving it forward.

8 Nothing on the map is -- precludes development,
9 except for where it is precluded by law -- so in a
10 national park or in a military range or something like
11 that. The areas are just -- they really representing
12 permitting risk -- high, medium, and low permitting risk.
13 And if the permitting risk is high and there might be many
14 things you have to do to mitigate, it doesn't mean you
15 can't go there, it just means it might take longer to do
16 it and it might cost a lot more.

17 So these are kind of -- I'd like to say they're
18 indicators of where the resource areas are from a
19 developability and resource potential standpoint. So
20 there's been a lot of discussion on the -- the national or
21 the western regional REZ process about being -- precluding
22 development, and that's not what the intent of these maps
23 are.

24 ~~And they are a first blush. And they also are~~
25 meant to be informative to the utilities to try to develop

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2 some of the transmission lines that we've set.

3 So, you know, it's always really difficult.
4 Anytime you put some -- a picture out there, someone says,
5 Oh, wait a minute. That's my land. You can't do that
6 there.

7 So we're trying to be as sensitive as we can,
8 about how we depict what we depict.

9 So are there other questions or shall we move
10 on?

11 MR. SMITH: Amanda?

12 MS. ORMOND: Yeah.

13 MR. SMITH: I'd like to respond at least to the
14 question about the Renewable Transmission Task Force and
15 the studies and so forth.

16 The -- the focus for that task force has been
17 to identify and assist with identifying the three projects
18 for each of the utilities, but that doesn't preclude
19 the -- the broader picture that that task force has taken
20 on, for SWAT, to continue doing studies and relook at the
21 impacts of increased renewables and what that needs --
22 needs are for the whole southwest.

23 MS. ORMOND: Okay.

24 MR. SMITH: Thank you.

25 MR. COLE: And one more -- one more add on kind

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2 of getting to a couple of questions that were out there.

3 And Jerry, thanks for -- for those questions
4 and comments.

5 I want to -- I want to make sure everybody
6 understands that, you know, we are trying to look at all
7 of the different aspects under this order. We are looking
8 at the export options also. As we'll find out this
9 afternoon, those are difficult questions on how we do
10 that.

11 But the other thing to point out is that,
12 although there's a lot of renewable energy potential in
13 Arizona, it won't all be developed at once. There will
14 be -- I'll call it -- "phases" or there'll be waves of
15 development, because even if you take all of the utilities
16 in the southwest, including the big -- the big behemoth
17 over in California, as far as load goes, you still can't
18 develop it all.

19 So what we're trying to do is incrementally
20 get, What's that first wave look like both from
21 internally, how do we serve Arizona needs, coming for, you
22 know, the next however many years, as well as what are the
23 export options?

24 I think RTTF is going to do studies and power
25 flows related to that to try to identify, Are there going

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2 to be issues with that first wave?

3 As far as talking about the bigger picture and
4 maybe the 20/50 look, I'm not sure that anybody's really
5 answered that question yet, Jerry. So I just wanted to
6 make that point.

7 Because the other thing is, you know,
8 California's -- in their study work, has identified, not
9 power flow -- but from their resource objectives has
10 identified that Arizona is quite a ways down on their list
11 for where they want to go to get renewables.

12 And so you have to question how much
13 transmission can we build and how useful will that
14 transmission be, if we're already down on their list in
15 the studies they've done from a resource perspective
16 already.

17 So we have to balance that and make sure that
18 that transmission is going to be useful.

19 COM. NEWMAN: My only comment to that is
20 that -- what I've heard is that, speaking about
21 environmental concerns in -- in California and Senator
22 Feinstein and others have expressed real concerns.

23 So we have to look at the real world of what
24 their government is saying about how -- how California is
25 going to be developing their renewable energy, given their

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2 environmental constraints in the Mojave Desert, which is
3 their sweet spot.

4 So that -- that's why this needs to be a
5 regional conversation. You know, we can't do it
6 state-by-state, necessarily. We truly need to know,
7 instead of speculating, and -- and -- on what's in the
8 minds of -- of -- of Southern California Edison or -- or
9 any other entities and these decision-makers.

10 We -- we should be sitting down and being frank
11 and honest. It reminds me of the speech that Obama made
12 yesterday in Cairo quote -- quoting the Koran -- is that,
13 you know, we -- we need to speak the truth, that, you
14 know, that -- it doesn't matter what -- what book you
15 speak of or what value, you know, you know, what value
16 system or culture you come from, we need to speak the
17 truth about this stuff, instead of hiding -- hiding behind
18 statements that, for example, that SCE just came out and
19 said, Well, we don't need to do the line anymore,
20 whatever.

21 I don't even know if that's the truth or not.
22 I wish I knew what the real truth of the Devers situation
23 is, you know? And somebody needs to be sitting down and
24 finding out these truths, and it has to be at a very high
25 level and we need to have a high-level forum getting the

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2 answers to these questions.

3 Thirty-three percent -- percentage in
4 California they -- they need to get it from somewhere and
5 it would seem to me that they want to get it from us, but
6 they're playing some kind of card game with us.

7 MR. ALBERT: If I could make a comment,
8 Commissioner Newman, Brad Albert, from APS.

9 I -- I just wanted to point out to you that
10 the -- and I agree with your comment, by the way,
11 33 percent renewable energy standard for California is a
12 whole lot of energy. Their ability to site that
13 internally to California is certainly a -- a key
14 question.

15 But on the larger regional effort, the Western
16 Governors' Association has a large effort that's been
17 going on for a year now? over a year now, to look at that
18 broader regional picture and the transmission that will be
19 required to develop the -- the broader regional
20 transmission for renewables.

21 And I know Chairman Mayes is sitting on the --
22 or is part of the steering committee for that.

23 COM. NEWMAN: All of these questions are --
24 are -- you know, I'm glad we're having this conversation.
25 But I -- I do -- I do think -- in fact, I don't really

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2 want to wait for it. I'm -- I'm pretty anxious about
3 knowing what needs to be done and what doesn't need to be
4 done.

5 It means a whole lot for siting. It means a
6 whole lot for capitalization of all of these projects that
7 are -- are -- are coming across the board.

8 So, you know, if we're talking about a study in
9 regional coordination that might take two or three years
10 to get to, you know, that's not a good sign for us
11 promoting solar energy in Arizona.

12 So I'm -- there is a gentleman who I met
13 yesterday -- he came to see me from San Francisco. He
14 represents a -- a think tank in San Francisco.

15 You know, he thinks he could do a study just,
16 you know, showing how much all of these projects will
17 bring to Arizona in terms of the economy. He thinks he --
18 you know, you could do that in a fairly short order. You
19 can probably get Department of Energy money to help with
20 that kind of study.

21 I would love to have an Arizona look and a
22 regional look, and we need to start talking to Washington
23 right now about that. And right now we rely on our big
24 private utilities to give us direction on this because you
25 are sort of an adjunct of the Commission Staff, even

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2 though we're the regulators and you're the regulatees
3 (sic) but -- and that's a little bit difficult because
4 there's some interests that we don't really -- can't get
5 into the -- the true minds and hearts of -- of our utility
6 executives all the time.

7 I'm referring to my talking about the Koran
8 before and speaking the truth -- sometimes I'm not really
9 100 percent sure. I don't think people speak forked --
10 forked tongue here, but they have other interests to
11 protect -- so -- when we're -- when we're trying to go in
12 cooperation with our utilities, to figure out where this
13 stuff should be.

14 So I would like an objective view from -- from
15 some -- if that is at all possible, from some -- some --
16 not necessarily from APS and TEP, or not necessarily from
17 the solar industry, who wants to maybe get out of paying
18 their fair share -- that's -- that's just a criticism I've
19 heard.

20 So is there -- is there anybody out there in
21 this audience that knows of an objective source?

22 The Western Governors aren't necessarily an
23 objective source either. The governor from Montana still
24 wants to, you know, promote coal.

25 So, you know, you know, isn't there somebody

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2 out there to help us come up with an objective study
3 quickly, as soon as possible?

4 I ask that question rhetorically. Maybe
5 somebody will answer me before the end of the morning.

6 MS. ORMOND: I see no takers on that.

7 (Laughter.)

8 MS. ORMOND: So we are going to transition to
9 the hardest things -- we're going to start talking about
10 cost recovery. And this is a lot of what we're going to
11 be talking about this afternoon in question and answer, so
12 Phil Dion with TEP is here to kind of give us a little
13 primer on cost recovery.

14 MR. DION: Thanks, Amanda.

15 Good morning, everybody. And I -- I appreciate
16 all the engineers allowing me to come here and talk
17 because, as you know, it's not where you want the lines to
18 go ultimately, it's where the Commission wants the lines
19 to go, and then -- and sometimes I get to tell you we need
20 to -- we need to change things a little bit and please
21 help us do that.

22 So I -- I appreciate that. Some of that is
23 based upon -- some of the normal stuff -- some of it is
24 based upon cost recovery, so if we can go to the -- the
25 next slide, I appreciate it.

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2 Kind of just some brief policy issues I thought
3 we'd talk about real quickly. They're nothing that's
4 going to surprise a whole lot of folks in this room on
5 this. Obviously, if we had regulatory certainty at the
6 state and federal level, you wouldn't need me.
7 Fortunately, you -- you still do need me, and folks like
8 me, to talk about some of these things.

9 But what I'm -- what I'm getting at is, you
10 know, we have a number of things happening at the state --
11 state and certainly the federal level. Certainly things
12 have gotten a lot more exciting in regards to energy to
13 the last year or so, focusing on renewables, but really
14 on -- on the -- on the transmission side as well.

15 And we had a question that we talked about,
16 kind of the mad rush to the BLM and things like that.

17 But for those of you who have been doing this
18 for years, you know that -- that -- that that's really
19 nothing new -- that if you're trying to site a
20 transmission line -- you've got city, you've got local,
21 county, regional, federal -- you've got everything from
22 BLM, DOI, to the Fish and Game.

23 So essentially, you know, as -- as you look at
24 the renewable policy issue, because the resource is what
25 I'll call "locationally constrained," we can't move it. I

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2 can't move the wind. I can't move where the sun shines.
3 I can't take those areas in which we've decided are -- are
4 good areas, good economic areas -- and now that we're
5 identifying low risk areas, even if -- if there was
6 something wrong with that, if there was an objection at
7 the local, federal, or state level, I can't move those
8 like I could a traditional generating plant.

9 So the -- the -- the ability for the state and
10 the federal government to work together in order to give
11 us some of the -- some more certainty is, I think,
12 incredibly important to the projects and really the
13 financing of the project.

14 I know I'm talking about cost recovery, but
15 I'm -- I'm going to bleed over a little bit into the
16 financing because we can plan all of this stuff, but if --
17 if no one's willing to take on the risk to build it, it --
18 it's not going to get done.

19 So I move to the next one called "efficient
20 siting and transmission generation" -- and kind of to
21 continue the alphabet soup, we're all familiar with NIMBY,
22 some of the NIMBE problems; and then we move to BANANA,
23 which is "build absolutely nothing anywhere near anyone,"
24 and now where we think we are is "NOPE" -- not on planet
25 earth.

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2 The -- the ability for communities and for
3 folks to come together and really fight some of the
4 projects that we have, has escalated in -- in recent
5 years -- and that's not necessarily a bad thing. It's a
6 good thing to have the local buy-ins, and being sure that
7 the -- that what we are trying to do is done in an
8 efficient, reliable, cost-effective manner.

9 But a number of things have happened -- the
10 Internet is one of them; the interests are -- are
11 greater. I mean, we're now starting to see in our -- in
12 our line sitings, you know, the folks hiring not only the
13 lawyers but consultants and telling us, you know, kind of
14 some of the -- the alternate routes that we should be
15 looking at.

16 And these are all of the things that we are
17 going through in order to, you know, kind of ensure that
18 the -- that the lights stay on. But through that, the
19 process has become, I would argue over the years a larger,
20 longer process.

21 Again, more people involved is a good thing, as
22 long as we can get that buy-in, but I think from an
23 educational standpoint, we, as the utilities, have to do a
24 better job regarding notice and -- and really making our
25 case in -- in this.

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2 And that moves on to the -- definition of
3 need. You know, the old -- there's really, when you site
4 some of this stuff, you don't ever really have to show
5 need. It's not really one of the things that has to be
6 done. But it's always a question that comes up in the
7 committees.

8 And as far as a renewable project goes, I think
9 that question is a different question now. The -- the
10 question used to be, Do you really need this line? Do you
11 really need it to keep the lights on? Do you really need
12 it for redundancy purposes? Do you -- do you -- do you
13 really need it to ensure just and reasonable power --
14 power at just and reasonable rates?

15 Now, the question of "need" is, we need to
16 diversify our portfolio. We need to meet the mandates of
17 the ACC. We need to do some of these things.

18 And so, as we move through some of these
19 things -- as we move through some of these line sitings, I
20 think that we're going to have to see a newer definition
21 of "need," than just kind of the traditional one that we
22 as utilities used -- used to put out there.

23 Of course, full recovery of prudently incurred
24 costs is always a favorite word for us in the regulatory
25 business.

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2 But you know, one of the things that's -- it's
3 out there -- and I highlighted this one -- is kind of the
4 abandoned transmission projects. In the renewable area
5 there's the -- there's a huge argument between kind of
6 the -- the chicken and the egg.

7 You know, do you build the project first, or do
8 you build the transmission first? What do you -- what do
9 you do first? Well, you know, at the -- at the risk of --
10 of bearing my soul -- because, as we know, it's our
11 favorite thing is -- is line siting. I think one of the
12 things people don't understand is that line sitings are --
13 are generally worse than rate cases for us.

14 In a rate case I only upset my service
15 territory; in a line siting I can upset the whole state.

16 And -- and it's one of those things. Even --
17 even generation, I really just kind of upset a community.
18 Large transmission lines become very caustic. And so if
19 we are going to -- and as I talked about the location and
20 constrains of the -- the generation, I would argue that,
21 again, it's not necessarily (indiscernible) --

22 Somebody's decided that I'm boring, probably my
23 wife.

24 (Laughter.)

25 MR. DION: Yeah. But -- but the -- but as far

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2 as -- as far as that goes, is that I would -- I would
3 argue it's really not the chicken and the egg.

4 Transmission lines take about ten years
5 (indiscernible) -- large transmission lines. And from the
6 permitting, even in the best case scenarios, we're --
7 it's -- we have, it's a long lead time. The development
8 of these projects won't take that long. They're one, two
9 years on the onset.

10 So if -- if we are going to move towards this,
11 you know, more renewable generation in our portfolio, I
12 would argue we need to be moving on the transmission front
13 sooner. And if we build it and they don't come, what do
14 we do with those costs?

15 And so that's going to be a policy question
16 that I think that the Commission is going to have to
17 wrestle with, which is they're going to have to say,
18 "We're going to make a decision to do this. We believe
19 that it is reasonable and prudent at this time, based on
20 the goals that we have, and we are willing to take on the
21 risk."

22 The developer takes on a risk; the utility
23 takes on a risk. We are willing to take on the risk that
24 if this doesn't come to fruition, we understand that, but
25 we are going to allow cost recovery because we also

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2 understand that without some of that regulatory certainty,
3 these projects just aren't going to be built.

4 I will also, at great risk to myself -- now
5 that I have a Commissioner sitting here -- mention
6 pre-approval incentives, CWIP, and other fun things that
7 we have all argued about down here at the -- at the
8 Commission for years.

9 But again, I -- I would suggest that because of
10 the -- the nature of this, it's not only just a policy
11 position of the ACC, but because of the fact that these
12 are locationally constrained, there are a number of --
13 there are another -- a number of additional hurdles that
14 don't exist in the -- in the traditional generation sense,
15 and so therefore, I think we have to start thinking about
16 other things, and -- and look at other things as we talk
17 about cost recovery.

18 So now that I've -- I've gone through my -- my
19 commercial, we'll go ahead and move through the -- kind of
20 the methods of financing.

21 And I just did this real quick. And, it's just
22 a primer, and so if I -- if this is too low, I -- I
23 apologize. But we have kind of the traditional cost of
24 service -- what I'll call the socialization method or the
25 Tehachapi method, and then market driven or -- or merchant

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2 functions.

3 So the projects that can be built can -- can
4 kind of go through. So far, these three models -- and
5 there's -- there's actually new ones on the horizon that
6 I'll talk about at the end.

7 And so in the next slide, the traditional cost
8 of service -- this is kind of what we're all used to --
9 utility built something, it's a -- it's put into rate
10 base, and then we recover those costs as -- through the
11 network. So it's just kind of a -- this is the project
12 that's needed; it's needed for economic and reliable
13 need -- reasons. Here's how much it costs. We go through
14 the siting process. It's sited. We all agree on it.
15 There's a cost involved in it. And then it's kind of
16 spread around.

17 And again, the State kind of puts us through
18 our paces to ensure that it's -- there -- there is a --
19 that they will require a showing of need again. It's not
20 necessarily in the statute, but that question always comes
21 up -- so I -- I've put it up there as if it was -- and
22 that the project is the appropriate size, the costs are
23 right, et cetera.

24 And then the tariff that is approved is kind of
25 the -- the -- the just -- they always roll back to the

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2 just and reasonable standard.

3 So there's that -- that traditional network --
4 everybody is in it, everybody pays.

5 The next slide I talk a little bit about the
6 interconnection -- so this is what I'll call the
7 "cost-causers." And -- and the cost-causer situation is
8 you want to connect to -- to the grid, there are certain
9 costs that are going to be there -- and you all probably
10 know these better than I do -- the facilities study that
11 goes on, What do you need to actually interconnect to the
12 grid? And then what do you do to the network when you do
13 that?

14 And we'll do the network study after that.
15 We'll come up with what those costs are, and essentially,
16 what infrastructure is needed, in order to try your
17 project in, and how much that costs.

18 Now, if -- then -- as you all know, if you
19 produce certain benefits to the network, then those
20 benefits can be credited back to you. But overall, it's
21 kind of a cost-causer pays for it. And that's -- that's
22 really kind of the traditional model. You know, as the
23 service territory needs something, or causing the cost,
24 they're going to be the ones that bear those costs. The
25 Commission then passes those costs on to the ratepayers,

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2 after we kind of go through the due process. And that's
3 kind of how things have been done for a while.

4 The next is -- is the Tehachapi model -- and
5 I'm sure you guys are all familiar with this. But this
6 was a -- this was a big shift at FERC. Traditionally,
7 FERC's view of -- and -- and again, I'll dumb it down --
8 just a direct line, so in other words, something that is
9 not -- not a network transmission project, but just --
10 just a single line going from one place and in and out.
11 FERC traditionally said, "Hey, look, you've got to pay for
12 that, you're not benefiting the network at all. That
13 is -- you are the cost-causer, you need to pay for that."

14 Well, when -- when that would -- essentially,
15 because of that model, nothing was going to be built in
16 Tehachapi. The developers that were there just couldn't
17 afford to do it. And so California got together and said,
18 "Hum, well, what can we do? Well, we're all within one
19 state -- at least the ISO. And we will -- we agree that
20 this is important to us, so we're going to make a filing
21 at FERC that says, 'Yeah, we understand that and we
22 understand the -- the rationale to kind of the traditional
23 cost-causer pays. But this is kind of an important
24 project to us, and we believe that -- that socializing the
25 line is -- is the way to go until those developers come

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2 online.'"

3 And so as it would work is the California --
4 the ratepayers of the California ISO would pay for,
5 essentially, the cost of that line -- they'd pay up -- up
6 front. The line would be built, and then, as those
7 generators come online, those generators then pay their
8 portion of -- of the line, and then Cal ISO customers
9 would be credited back, so to speak. That spread out all
10 over the ISO -- that's just not Southern California, it's
11 not just Northern California. It's -- it's all -- it's
12 over the entire ISO.

13 And so the -- the idea is, is that the -- the
14 line gets built because you've got kind of that regulatory
15 certainty that someone is going to pay for it, and the --
16 the developer or the -- or the utility, essentially, is
17 going to be taken care of through either the ISO
18 ratepayers or through the developers.

19 But you have that -- that mechanism in place.
20 Now the developers can go out and they can finance on
21 there -- or the utility -- and they can finance on that
22 mechanism and ensure that, no matter what, that line is
23 going to be paid for.

24 And as it works, the developers then come
25 online, and again, it's kind of where I -- I began our

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2 discussion, where I think the -- the line is the most
3 important part of this transaction. That infrastructure
4 is probably the most important part and you will see
5 things come on. If you don't, your ratepayers could be on
6 the hook for that.

7 But again, that's a policy decision that --
8 that was made in California.

9 COM. NEWMAN: I really just want to listen, but
10 I -- I have to laugh a little bit about -- is it your term
11 "socialization model"? Because I can imagine some members
12 of the Arizona legislature might -- might make a comment
13 about that.

14 I understand what you mean, but is there -- are
15 there other terms for that model?

16 MR. DION: You know, we can certainly pick a
17 whole host of terms. There -- you know, as -- as I look
18 at the utility business, we can pick another one because
19 there are certainly a number of costs that are socialized,
20 shared, jointly participated in --

21 COM. NEWMAN: Yeah.

22 MALE SPEAKER: -- whatever we wanted to call
23 it. But it -- it's just one of those that -- that it does
24 cause -- fair enough, it does cause some wrangling down
25 the road, perhaps.

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2 COM. NEWMAN: Well, you know, I don't think
3 Herbert Marcuse minds that -- that -- but, you know, I can
4 imagine some people, even if they were covering it today,
5 they -- they might say something.

6 But I -- I certainly -- I certainly think that
7 this model is something that we may have to look at, and
8 especially in an environment of some federal money being
9 available, you know, who knows how -- how that can be
10 funded, so --

11 MR. DION: And --

12 COM. NEWMAN: I just recommend that we change
13 the term.

14 MR. DION: -- we can -- we can certainly do
15 that. And it -- it -- it's one of those things that
16 because of the California ISO, the ability was to do it --
17 it would -- it would be trickier as you move into a state,
18 perhaps, that doesn't have a -- a market; it would be
19 trickier, as you moved outside of states.

20 But it's one of those things you just want to
21 be thinking about -- you want to be cognizant of as you --
22 as you're looking at these zones and how we can get some
23 of the -- some of the energy from those locations into our
24 load pockets.

25 The final area is kind of the market-driven or

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2 merchant. And the -- the big one on the list -- and you
3 probably -- you all probably heard about it is the Chinook
4 and Zephyr model -- and this comes from our -- our
5 Canadian friends.

6 Essentially, they're -- they're moving wind
7 either from Montana or Wyoming, down into Nevada. Both
8 lines kind of end up there and -- and the -- the idea is
9 really not a new one; it's a gas idea. It's how we do --
10 it's how we do it in the gas world. We have anchor
11 tenants. And those anchor tenants are the ones that
12 commit to a certain amount, and they agree to pay for a
13 certain amount, and they get a certain amount of gas
14 service off the gas line.

15 And essentially what -- what this proposal was
16 is very similar to that, in that we -- but we're just
17 going to move that into the electricity world. And so we
18 are going to build a line in which we are going to -- they
19 are going to have up to 50 percent -- and I believe it is
20 50 percent -- anchor shippers. So those folks have firm
21 capacity rights on the -- on those lines.

22 And so with that now, the merchant model, they
23 now have half of it -- half of it financed -- or half of
24 it subscribed, rather. They can get the financing to
25 build the rest of it and hold an open season and fill up

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2 the rest of the capacity on that line through kind of a
3 traditional open season.

4 So if -- if you've ever been in the gas world
5 this should look incredibly familiar -- incredibly
6 familiar to you. That -- that's essentially what they've
7 done is they've just taken that model and they've moved it
8 to -- to a merchant transmission line. And when I say
9 "merchant transmission line," that's a -- that's somebody
10 outside, from the utilities, who is a third-party,
11 independent transmission operator. There would be the
12 builder, the developer, and they would be the ones
13 responsible.

14 This is a -- if you look at those models and at
15 kind of some of the FERC orders, depending on where you
16 are, these aren't in an ISO, depending on where you are,
17 if you're an independent transmission owner, you can get
18 incentives on your transmission rates because you are an
19 independent operator.

20 FERC believes that if -- if you have those
21 sorts of things, some of the -- some -- if you have an
22 independent operator, some of the concerns that they have
23 about open access are ameliorated. They want to encourage
24 that. And so they'll give you a benefit or a bump on your
25 OAT rate, just -- just for doing that.

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2 So that is -- it's a -- it's a very attractive
3 model to a number of people, from the developers, from an
4 ROE perspective, because there are some things that they
5 can do. And just because of the -- who they are, they can
6 offer a return that's going to be better to their
7 investors and attract some more investors.

8 There's also the proposed SunZia model. I've
9 got Tom Wray in the room. I would defer all questions to
10 Tom on SunZia.

11 The project -- it says 100 percent. It's up to
12 100 percent of the project committed by anchor tenants.
13 So this is kind of the next step, if you will.

14 So the Chinook Zephyr model has gone through
15 FERC. We know, from a 50-percent anchor subscription
16 point and a 50-percent open season, that FERC will view
17 that favorably.

18 The question is, What's the next split? Is it
19 75/25? Is it 80/20? I think, as you get to 100 percent,
20 you have some -- you -- you will have some push back
21 from -- from some of the -- the folks in 888 1st Street
22 Northwest, they will probably not go as far as that.

23 But it -- it is -- it is not something that is
24 unanticipated as I've talked to Tom, that -- that -- that
25 FERC has, you know, as they've moved from their

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2 traditional models, they've moved through Tehachapi and
3 now they're coming to Chinook. They -- they realize that
4 something like SunZia is coming, and they -- they are
5 going to evaluate it, and we will probably get
6 something -- some guidance -- some more guidance from
7 them.

8 I know Tom has talked to them a lot, as to kind
9 of what -- what it's going to take, or where they're going
10 to be comfortable, in regards to the amount that are
11 anchor tenants and the amount that's -- that's out for an
12 open season.

13 Since that time, FERC has issued an order last
14 month, as a matter of fact. It was the Northeast
15 Utilities and Enstar Electric Model. And this is a -- a
16 real interesting order, for those of us who think this
17 stuff is interesting. To everyone else it's not that
18 interesting.

19 But -- but from a cost-allocation perspective,
20 this one is -- is intriguing, because whenever you talk
21 about renewables, you know, everyone is for renewables.
22 There's really not a whole lot of people who -- who don't
23 like it. A lot of people -- and everybody's for
24 transmission for the most part. Everyone's for
25 renewables, we're for transmission. We're for it. Let's

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2 go.

3 And then you say, "Well, who is going to pay
4 for it"? And the whole thing falls apart. And -- and
5 that's -- that's really the problem with where we are
6 on -- on infrastructure. It's when you get to that
7 question that everybody splinters. Either -- if you're
8 talking about a national program, the Southeast splintered
9 vastly from the West on some things; or if you're just
10 talking in a local area, folks just don't want to pay for
11 stuff that they don't see themselves benefiting from.

12 So the way they took care of this in Enstar,
13 which I thought was pretty interesting, was essentially
14 it's still a -- it's still a cost-of-service traditional
15 line that's bringing renewable energy from Canada into the
16 New England ISO, but instead of -- instead of jointly
17 sharing all the costs among the -- the New England ISO
18 members, the costs are going to be in, essentially, in the
19 energy charge. So those people who participate, purchase
20 energy off of that line, are going to be the ones that are
21 going to pick up the tab.

22 Again, it's not a -- it's not a -- I want to
23 make sure -- it's not a merchant line. It's a traditional
24 ~~cost-of-service line. But it is one that is not going to~~
25 be spread to your -- to your neighbors, and so the -- the

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2 northeastern utilities are going to be able to purchase a
3 number of the renewables that they needed and not cause
4 harm to their neighbors. With that, the siting and the --
5 and the objections at FERC were much less, and so it
6 became a project that was one that was going to be highly
7 contested to, there wasn't a whole lot of objections,
8 objections to it.

9 Again, that's a -- an -- an ISO. It's not
10 necessarily where we are; we're not an organized market.
11 But again, you know, you do want -- you -- you have to
12 have -- whenever you propose some of these things, you
13 have to -- to the extent that you are going to do a
14 regional or joint planning, you do have to think of the
15 effect it has on your neighbors, and to the extent that
16 they are going to be interested in protecting their own
17 best interests, especially when it comes to cost
18 allocations and having to go before the regulators and ask
19 for money.

20 Those are the questions that you are going to
21 have to sort out in advance, as you -- as you move towards
22 the -- the larger lines, and especially as the ones that
23 cross the -- cross the state lines through your
24 regional -- through your regional planning.

25 And then I just wrote down "their other

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2 models." I don't think we've seen the end of this. I
3 think that kind of once -- once you start down this --
4 this cost-allocation path that you will see people kind of
5 pushing the envelope and -- and asking some of the other
6 questions out there as to how they can get their return.

7 There have been some big changes at FERC.
8 There's a new chairman. He has elevated one of the
9 divisions -- it was a division that was already at FERC,
10 regarding renewable energy, energy efficiency, and things
11 like that. That -- that will see a lot more attention in
12 the upcoming years, I think, than it -- than it had.

13 That said, there have been other wholesale
14 changes at FERC. There have been some retirements, some
15 significant retirements on the project side, and there
16 have been some changes. And so it will be interesting to
17 see, especially from the projects department -- both from
18 the infrastructure, and then the -- the rate side -- kind
19 of how that thinking is going to come up. They -- they
20 did lose quite a bit of institutional knowledge there.

21 So while I think from a policy perspective
22 that, you know, we'll see some more models coming out of
23 FERC, the -- the -- you know, the real grunt work of -- of
24 the staff, I think, is going to be -- is going to be a
25 little bit slower than it -- than it was because some of

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2 those leaders have -- have left and have retired.

3 So that -- I still think there are going to be
4 more models. I just don't know how quickly they're going
5 to -- honestly, I just don't know how quickly they're
6 going to turn out. I think there's going to be a -- a
7 getting-used-to, over there, for about a -- about a year
8 or so.

9 And then, finally, I think I talked about
10 funding sources -- kind of here are the -- the funding
11 options that we have to make these things happen.

12 Now, one of the things -- again, I'm going to
13 go back into the financing area. One of the -- one of the
14 things that we have on the gas side, that we don't have on
15 the electric side, are master limited partnerships.

16 You can build a natural transmission -- or
17 excuse me -- you can build a natural gas line and you can
18 use an MLP, and that is much more attractive to
19 investors. They get their cash out sooner, essentially.
20 But you can't do that for transmission lines.

21 Well, maybe we should think about that. Well,
22 we have thought about that, and it actually takes an act
23 of Congress, an actual act of Congress, in order for it to
24 happen. And there was a -- a movement a couple of years
25 ago to do that, but there was this little group,

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2 Blackstone, Black-something -- in any event, that kind of
3 got a whole lot attention back East for their use of
4 master limited partnerships, and kind of some of the
5 accounting -- some accounting tricks, and some -- just
6 some bad actors that kind of put the kibosh on that. And
7 there were a couple of senators who wouldn't even consider
8 talking about it.

9 But the natural gas world actually has that
10 exception; they -- they can do that in the master limited
11 partnership. As we are moving toward some of the funding
12 mechanisms, I -- I think that we would probably want to
13 start moving towards some of those financing options, and
14 again, at least start thinking about it as -- especially
15 as we have this push towards, you know, the -- the focus
16 of the federal government on, you know, climate
17 legislation, renewables, energy efficiency standards, and
18 transmission and -- and siting.

19 You know, it -- it might be one of those things
20 that might be right for -- for another discussion. But,
21 again, the -- the financing of these projects -- the --
22 the cost allocation of these things are so important
23 because, without them, they're not going to be done. And
24 again, the -- you know, I -- I'd argue that in -- in most
25 cases, you know, you -- you also need somebody on the

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2 other side to purchase that power, your energy, you know,
3 that -- that you're producing.

4 You're going to want that to be a
5 creditworthy -- you know, whether it's the utility or
6 someone else -- you're going to want that to be a
7 creditworthy partner because you are also going to use
8 their books in order to get some of this stuff done. If
9 it is a utility, obviously, you want them to be
10 creditworthy so it can get built, and you also want some
11 of that regulatory stability I talked about to ensure
12 that, you know, that as you move on with your project,
13 that there won't be -- there will also be surprises.

14 But if you can minimize those surprises, then
15 you can make those projects happen because you can
16 essentially mitigate risks or remove risk or at least
17 lessen the risk when you -- when you go to the -- to
18 whomever is financing it -- Wall Street or whomever -- to
19 indicate, you know, why this is a good project and why
20 this is something that -- that's going to be out there.

21 So with that, again, just kind of a -- a basic
22 primer on what's happened in cost allocation over the last
23 five or six years, with a good focus at the federal
24 level. But -- but again, it -- the -- as I said before,
25 it is -- it is truly one of the most difficult things

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2 that -- that utilities do go through. And so the ability
3 for us to coordinate a more efficient siting process
4 with -- with more of the cost-allocation questions
5 answered up front.

6 If you do those things, if you mitigate those
7 risks, then you are going to put yourself ahead of the --
8 or at least in -- in contention with a number of other
9 projects that other folks are looking at in other states,
10 because other states are doing some of those things in
11 order to lessen the risks, in order to attract those
12 people to develop their -- their renewable resources.

13 So I appreciate the time and attention. Thank
14 you, all.

15 MS. ORMOND: I want to recognize that -- that
16 Commissioner Sandra Kennedy has joined us this morning.
17 Welcome.

18 Any questions for Phil?

19 Phil just came back from a stint at FERC, so he
20 knows about all of these staff changes.

21 COM. NEWMAN: I --

22 MS. ORMOND: Any questions?

23 COM. NEWMAN: I have a question. Phil, it was
24 a good overview.

25 One comment I had, it's -- it's -- and it's

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2 impossible to put in a -- in what -- in your short
3 overview. But I -- I've been told, also, that -- that
4 there's a possibility -- speaking of legislation changing
5 things, and we really don't know how this will work and --
6 and I don't think anybody has the -- the -- the secret to
7 this.

8 But I had heard that there's a possibility of
9 expanding FERC powers, changing FERC powers to -- to
10 understand the problems that we have now with building
11 transmission.

12 Now, I'm not talking about taking away state
13 power and I'm not talking about that federal state shift.
14 I'm talking about a way that FERC will be able to
15 accelerate the building of lines in order to promote the
16 new clean economy, if -- if you will.

17 Do -- have you heard anything about that
18 through the grapevine? And -- and -- and I just know that
19 there have been -- there -- I've -- I've heard that that's
20 true. I don't know what it means.

21 And so I'm asking you --

22 MR. DION: That's okay.

23 COM. NEWMAN: -- if that's true and -- and --
24 and what you think it means?

25 MR. DION: I've heard rumblings to that, but

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2 again, to kind of move back -- kind of come back to the --
3 it always comes down to that cost allocation.

4 So if FERC is going to get involved and going
5 to -- and is going to do anything, then what is going to
6 be their ability to allocate costs in order to make sure
7 that those projects do move forward or don't move
8 forward? And what -- what's the divide between the state
9 and the federal level?

10 And this fight has been going on in the wind
11 arena for quite a while. If -- if you've seen the --
12 there's a -- there's a map that was put out by AWEA, and
13 it's their big 7 -- 765 kV. And it's -- it's everywhere.
14 I mean, it's -- it's just kind of a -- it's a -- it's like
15 a national road. I mean, it's like a -- it's a
16 superhighway, exactly.

17 And -- and they put that out, and they said,
18 "This is what it should be and this is how it would work
19 and this would be great." And if everybody in the
20 states -- which didn't -- said, "That's a great idea,"
21 there's one state I know for sure that would say this
22 stinks, and that's Ohio, because we already have it. So
23 why am I paying for all of those other people to do this,
24 when that's what I've done through AEP?

25 So the -- the -- every time you start talking

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2 about that particular issue, you come into the point where
3 you say, "Okay, you're going to take this over, you're
4 going to accelerate some of this stuff. How are we going
5 to jurisdictionally allocate those costs so that it's
6 fair?"

7 Well, then everyone will pay.

8 No. That's -- wait a minute. That's not going
9 to work. The Ohio example kind of starts pointing to
10 that.

11 So again, every time that -- that starts and
12 stops, it starts and stops with the cost allocation.
13 It -- it generally starts under a "how do we promote this,
14 how do we promote that? How do we get these -- these
15 things built?"

16 And -- and -- and I -- I'd argue if you look at
17 the map of the west, Arizona does have a significant
18 amount of transmission lines. There are some states that
19 don't have as many.

20 If we're going to start doing some of this
21 stuff, how is that going to work and how is that going to
22 affect Arizona?

23 Kind of being on both sides of the fence, being
24 at the state regulatory body and the federal regulatory
25 body, I understand some of the -- the push-and-pull that

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2 you have.

3 But if it -- if it's not done in -- in a way
4 that there's a good process and it's transparent -- and I
5 don't mean just have a panel of people to tell you what
6 you think -- a real transparent process and mechanisms in
7 place to do it, that -- it -- it's just not going to
8 work. The objections at the -- at the local level will
9 be -- will be extreme.

10 COM. NEWMAN: Well, I -- I agree with you. But
11 I -- I've heard that it's going to be floated. That
12 some -- that somebody back there is going to be floating
13 some look at changing FERC's responsibilities regarding
14 this. And I'm just curious about it. And it's something
15 we need to -- to -- to watch for.

16 The -- the other question I had, a more
17 substantial question, was -- even though that was pretty
18 substantial -- what -- what about the -- the negatives
19 of -- of this process?

20 The -- the -- the subject area I'm thinking
21 about is pancaking -- you didn't get into that; you
22 weren't asked to get into that. But it does relate to
23 what -- you know, this area.

24 Would you care to comment? So -- because I've
25 heard from a lot of folks that are on the other side of

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2 this fence that they're concerned about the specter of
3 pancaking.

4 MR. DION: I'm concerned about pancaking. I
5 don't like it when I buy power to serve my customers and
6 I -- and I get pancaked. So I -- I would say that -- that
7 I understand that, but --

8 COM. NEWMAN: Why -- why don't we go -- at a
9 basic level answer to the question of what pancaking is
10 and -- and --

11 MR. DION: Yeah. Essentially, as power moves
12 across different systems, you -- they -- they pancake
13 you. You pay more and more and more, and the stack of
14 pancakes goes up as to kind of what your -- your fees
15 are.

16 You know, the -- the question is -- is that --
17 and I don't want to get into -- because I -- I'm not a big
18 fan of postage stamp and license plate pricings -- but one
19 of the things that -- that you can look at as a -- as the
20 regulator is, to the extent that from a regional
21 perspective, you determine this project is important. The
22 way that we are going to -- to pay -- the way that we are
23 going to pay you back or the way that this is going to
24 move in, you know, you can take into account, in that
25 tariff, to avoid -- to avoid that -- that FERC is -- is

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2 very cognizant in -- in doing that, in creating tariffs
3 that get away from that -- that pancake rate.

4 Now, that said, again the -- again the license
5 plate postage example, if you pay the postage stamp, it
6 goes anywhere and you just pay the fee. The license plate
7 kind of is more -- more local.

8 When you do that, you do expose -- you do
9 spread the -- the costs out or you can spread the costs
10 out over a larger set of -- set of individuals, and it
11 might be those individuals that you have jurisdiction
12 over.

13 I mean, instead of the traditional, "here's the
14 cost for TEP and here's the costs for APS" and things like
15 that, you know, one of the things that -- that you -- that
16 it gets a lot more difficult quickly, but you know, if --
17 if you -- if the State -- if the State determines that
18 this is something of state priority and we have the
19 hearings and the process to do that, you know, you -- you,
20 theoretically, could create a rate that works, you know,
21 throughout the service territories.

22 Again, the question is, you know, you just --
23 you just know that in certain areas you're kind of
24 overcharging and in certain areas you're undercharging.

25 Just like if you're mailing something from here

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2 to LA, it should be a different price than here to
3 New York. It's not, though. But that's a policy decision
4 and that's the way they decided to run that -- that
5 agency.

6 COM. NEWMAN: Okay. Thank you.

7 MALE SPEAKER: Phil, could I add to that?

8 Commissioner Newman, there -- for WestConnect,
9 itself, there is a pricing experiment that they're taking
10 on right now, to avoid the pancaking rate. And so that's
11 just being implemented and they've been working on that,
12 at this time.

13 MALE SPEAKER: Is that all of them?

14 MALE SPEAKER: Of all the WestConnect members?
15 Not all of them. But there -- there's a -- there's a big
16 portion of them that are willing to do that, from those
17 utilities.

18 COM. NEWMAN: And -- and how does that work?

19 MALE SPEAKER: Instead of pancaking the rates,
20 going across from one utility to the next, they would take
21 just one rate -- take the highest rate for all of those
22 particular utilities and apply that for that rate.

23 COM. NEWMAN: And then they'll do -- do an
24 analysis of what people thought of it -- that -- or cost?

25 MALE SPEAKER: Oh, yes.

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2 COM. NEWMAN: At -- or the -- they'll do an
3 evaluation of that?

4 MALE SPEAKER: There'll be an evaluation along
5 that process and how that's being implemented. What are
6 the issues going that direction? And then see how that --
7 if that makes sense going forward.

8 COM. NEWMAN: That's good to know. Thank you.

9 MALE SPEAKER: And then I'm going to pancake on
10 that, that then there's a --

11 (Laughter.)

12 MALE SPEAKER: -- the regulatory view of that.
13 And is that -- is that highest price, is that truly a --
14 is that a -- is that a least-cost price? Is that a -- is
15 that a cost price? Or is that now a -- a market price?

16 Because in some cases, to where that's a -- a
17 higher price than other folks might -- might or might not
18 charge, does that create a situation where now it's a -- a
19 market rate?

20 We got into some of that with some of the --
21 the contracts that we have in the West. But again, it --
22 you know, it -- I -- that's a -- that is a good program.
23 It's something to -- to look at to see, you know, whether
24 or not that pricing program works out for those people.

25 The -- kind of the hassle of -- of every -- the

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2 incremental hassle of dealing with the pancaking versus
3 that, but then there might still be some regulatory
4 questions that go on, that would have to be approved and
5 said, "No, we've -- we've looked at that, and we still
6 believe that that is a -- that is a cost-based rate
7 because that is a -- that is the cost of that one utility"
8 or whatever. It is not a market-based rate and you don't
9 need market-based authority, et cetera, and things like
10 that, so just to -- that's it, though.

11 COM. NEWMAN: Thank you.

12 MS. ORMOND: Thank you. It lays great
13 foundation for what we're going to talk about this
14 afternoon.

15 I think we're going to take a 10-minute break,
16 and then we'll come back at a quarter after 11:00.

17 We've got two presentations before lunch. And
18 so I think we'll probably get out of here for lunch at
19 about 12:15 for an hour -- 11:15 come back.

20 (Recess taken.)

21 MS. ORMOND: Ready to start? We're going to
22 get started, please.

23 MALE SPEAKER: Ron, do you need a pointer?

24 MR. BELVAL: Yeah.

25 MALE SPEAKER: Would you pass that over to

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2 Ron? Luke, would you pass that over to Ron?

3 Thank you.

4 They're bodyguards.

5 MR. BELVAL: Should I stand up there like
6 (indiscernible)?

7 MALE SPEAKER: Whatever you want to do. You
8 want me to run for you?

9 MALE SPEAKER: Yep.

10 MALE SPEAKER: Okay.

11 MS. ORMOND: So we are going to move into
12 talking about the interconnection process, how you go
13 about doing interconnection.

14 And we have a number of people here at the
15 table to help answer questions from other utilities, but
16 we're going to have Ron Belval give the presentation.

17 MR. BELVAL: Good morning. It's still morning,
18 I guess. Usually, the opening act comes on before the
19 featured performer, but we kind of switched places today.

20 At the last workshop, Commissioner Newman asked
21 some questions about the interconnection process.
22 Hopefully, today, we'll be able to answer, if not all,
23 most of those questions.

24 ~~Could you go ahead and move to the next slide.~~

25 Just to give you a little bit of a -- a

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2 background. Back in the mid '90s, when FERC started the
3 process of the utility industry restructuring of -- FERC
4 Orders 888 and 889 kind of started the process of being
5 open and transparent, but at that time it wasn't really
6 all that open and transparent, and it evolved.

7 The idea was for the industry to -- the
8 vertically-integrated industry to be replaced by a
9 competitive market, and so Orders 888 and 889 and -- and
10 information exchange was kind of -- kind of limited in
11 support of protecting market-sensitive information.

12 But we've evolved quite a bit since then. And
13 last year, I guess, or the year before, with Order 890,
14 FERC was encouraging the utility industry to do more of
15 its planning in an open stakeholder forum.

16 And so the -- it's evolved from being
17 relatively closed to becoming much more open. And I must
18 say that the West has been pretty good about doing its
19 open stakeholder planning.

20 So the utility industry restructuring was,
21 basically, marked by the separation of the transmission
22 function and all of the other market functions. And the
23 idea there was that the transmission providers would have
24 to treat all of the participants, including its own
25 affiliates, the same.

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2 And so FERC developed its pro forma open access
3 transmission tariff, which applied to, certainly, all of
4 the FERC jurisdictional utilities, but also indirectly
5 applied to the non-FERC jurisdictional entities. And it
6 was quite an incentive there because, in order for them to
7 participate in wholesale markets and have access to
8 transmission systems, they would also have to file -- or
9 at least have open access transmission tariffs.

10 All of the FERC tariffs are pretty much
11 pro forma, including the -- the interconnection
12 procedures, and those are very prescriptive, and all of us
13 to have open access tariffs also have with them large and
14 small generator interconnection procedures.

15 Now, the small is distinguished from the large
16 in one way by the size of the generator -- the small is up
17 to and including 20 megawatts.

18 (Indiscernible -- conversation out of the range
19 of the recorder.)

20 (Laughter.)

21 MR. BELVAL: Okay. Can you hear me? I guess
22 so, okay.

23 The -- well, one of the differences is, as I
24 mentioned, was the size and the breakpoint is
25 20 megawatts. The other is, is that the large generator

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2 procedure has a -- a study process, which we'll get into;
3 and the smaller one is less so, but in some cases may
4 require some study and it would follow the large generator
5 process.

6 Now, the other part of the communication
7 contributing to open and transparent process is that FERC
8 also required an open access, same-time information
9 system, or we refer to it as OASIS. And the purpose of
10 that is to make sure that, as part of making sure that the
11 transmission providers would be treating their affiliates
12 the same as any other market participant. So the idea was
13 to make sure that everybody gets the same information at
14 the same time was to post it on the OASIS.

15 And getting into the large generator
16 interconnection process, there is one feature of it that,
17 looking at the second bullet, which is interconnection
18 studied as energy only or as a network customer.

19 The concept of the "energy only" was put in
20 place at the time with the idea that general -- there
21 would be more, actually, retail open access and all of the
22 generators would be competing against each other.

23 So this was a feature where, in theory, a
24 generator could build a power plant right next to an
25 existing power plant, and connect to the same point, and

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2 not build any more infrastructure. Of course, that
3 wouldn't provide any more capacity, so that these two
4 generators would be forced to compete against each other
5 and only one could run at any given time.

6 That's -- that's a feature that is not
7 conducive to promoting renewable energy development, and
8 so we're looking at that and trying to rethink that as
9 part of the LGIP.

10 The other important point is that the generator
11 interconnection process does not provide for transmission
12 service. What it does is it is a -- a procedure that we
13 follow, including studies, to determine if a generator can
14 interconnect to the system and the system will still
15 remain reliable.

16 Again, it -- with respect to transmission
17 service, existing -- existing generators and new
18 generators that need approval to interconnect will all be
19 operating under the same tariff.

20 I do want to note, for the Commission, that
21 there is an exception that FERC does, in fact, recognize
22 that the state does have jurisdiction over retail-only
23 types of projects, and that was put forth in Order
24 Number 2006-A. And it's -- the -- the states, and Arizona
25 in particular, have a distributed generation

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2 interconnection process guideline that the utilities use.

3 I tried to put together a graphic illustration
4 that would be as simple as possible, and this is about as
5 simple as I could get it and get it to include all of the
6 major features of the large generator interconnection
7 procedure.

8 In looking at the left side of the slide, that
9 procedure could be triggered by an interconnection request
10 that would be either for a small generator or a large
11 generator interconnection, and each of the utilities would
12 go through the process, based on its filed large generator
13 interconnection procedure.

14 Part of that is that the customer would have a
15 choice between -- you know, as to whether they would like
16 to do a feasibility study or go directly into a system
17 impact study. Typically, the purpose of a feasibility
18 study would be to assist an interconnection customer or a
19 generator -- renewable generator is what we're really
20 talking about today -- is that if they're not sure exactly
21 where they would like to interconnect their generators, so
22 it -- it helps to narrow down the point on the -- on the
23 transmission provider's network that they would -- they --
24 they think is most feasible for them to interconnect.

25 For references, that a -- a customer would have

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2 a -- a good idea of -- of their primary point of
3 interconnection and an alternate, and that we would go
4 into a system impact study.

5 And by the way, the -- all of the studies do
6 require a -- a study agreement. And the process, being
7 very prescriptive, also requires scoping meetings between
8 a transmission provider and a customer. And so that the
9 results of the scoping meeting would be reflected in the
10 study agreement, and proceed through -- and I'll just say
11 the "system impact study." The results of the study would
12 then be shared with a customer. And then if the customer
13 still feels comfortable with the project, it would proceed
14 into the facility study phase.

15 And again, scoping meetings would be required
16 and go through the study and present the results back to
17 the customer. The customer could make decisions on
18 whether or not to proceed with the development of the
19 project.

20 Phil basically covered all of the cost-recovery
21 aspects, so I'll just go through this very quickly, just
22 to summarize. Is that in the case of the -- of any
23 generator in a connection that the interconnection
24 customer would pay for all study costs. They would
25 also -- the transmission provider is responsible for all

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2 of the costs of the transmission network that is used
3 to -- to supply its native load or network customers and
4 costs are recovered through the traditional ratemaking
5 process.

6 The interconnection customer would pay all of
7 the costs related to the study to -- to the administrative
8 costs for the interconnection requests themselves. And
9 they would also be responsible -- or they -- the
10 interconnection customer, the generator would be
11 responsible for the costs of its own facilities. And --
12 when it comes to the commonality facilities or -- well,
13 basically commonality facilities -- those could be shared
14 on some basis to be agreed upon between the transmission
15 provider and the customer.

16 I have a -- a diagram just to illustrate a -- a
17 typical situation. If you look at the left side of the
18 slide, it shows under "Network Facilities," a substation
19 facility that is assumed that it's in existence pre any
20 generation project, and that's all that would be on the
21 system at that point in time, and it is part of the
22 transmission providers network facilities.

23 A generator would develop its plans for its
24 generator, it's switching station, and transformation, and
25 transmission line to connect to the transmission

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2 provider's network. And at -- you -- typically you would
3 have to add some facilities where it connects to the
4 transmission system, and that's shown in green under
5 common facilities.

6 So the blue customer facilities would be paid
7 for entirely by the generator, the common facilities,
8 typically, would be funded by the -- the generator. It
9 would eventually become part of the network facilities.
10 And as the transmission customer, after they apply for
11 transmission service and receive service, they would
12 receive a credit and be -- recover the cost of the common
13 facilities over time.

14 A few key points on -- on some of the FERC
15 requirements -- and I mentioned earlier that there's a
16 requirement for no preferential treatment of any of the
17 transmission providers affiliates, and in fact, there
18 should be no distinction in treatment of any other
19 customer.

20 One of the important points in the LGIP is that
21 the -- you know, the transmission entity that -- to which
22 the generator is going to be connected would have to make
23 a determination as to whether or not they think that there
24 would be other transmission providers who would be
25 affected by the generator connection. And that's kind of

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2 a difficult judgment to make until you've actually started
3 getting into the study in some cases, because you don't
4 know that there's actually an impact on -- on a
5 neighboring transmission system.

6 So when it -- when you do make the
7 determination that there are other affected systems, we
8 are required to contact those entities and work together
9 with them in developing the study.

10 Confidentiality, in accordance with the
11 standard of conduct -- again, this part really applies
12 more to realtime operation, not so much for -- to
13 long-term planning -- and particularly as to the way it is
14 done in the West where we do the planning in open forums
15 that are -- are posted and noticed properly.

16 But there is a -- a specific standard of
17 conduct. And a good deal of the confidential information
18 is really market-sensitive, and that's the customer's
19 information that we need to protect as well.

20 But some of the things that are posted on the
21 OASIS is a listing of all of the -- of the requests and --
22 and the status of the interconnection request.

23 And typically, we're not to disclose the
24 identity of the interconnection customer unless that
25 customer agrees that it can be posted. In some cases,

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2 that is.

3 The study process in the interconnection
4 procedure -- they have some prescribed time lines for the
5 studies. For instance, the feasibility study should be
6 done within 45 days. The system impact studies are a
7 longer period of time, up to three months. But we're
8 finding that, in some cases, that these studies are taking
9 longer than we had anticipated, and in that case, we would
10 need to note that on the OASIS.

11 The other notification is that when we have the
12 scoping meetings that I described on the -- on the
13 diagram, is that those -- there is supposed to be advanced
14 notice of those meetings with the affiliate posted on the
15 OASIS.

16 And finally, this applies, I believe, only to
17 the FERC jurisdictional entities, is that the
18 interconnection agreements must be -- must be filed at
19 FERC. The non-FERC jurisdictional entities do not have
20 that obligation.

21 This slide shows -- is a map of the state of
22 Arizona, with an overview of -- of the transmission
23 system. This is the same map that I believe Rob
24 Kondziolka presented at the last workshop, so I want to
25 point out that -- that this is really an illustration at

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2 this point in time, because since the map was provided,
3 there have been other interconnection requests that are
4 not shown on this map. So just view this as an
5 illustration at this point, please.

6 The key points here that there are a lot of
7 interconnection requests and they are throughout the
8 state. The other observation is that many of them are
9 aggregated in separate areas -- I guess the word is
10 clustered. And this kind of suggests that, just looking
11 at the area between Cholla, Coronado, and Springerville,
12 on the right-hand side of the map, that there are
13 interconnection requests made basically in the same area,
14 to a part of the system that has little or no available
15 transfer capability, and they're interconnected to three
16 separate provider systems.

17 What that suggests is that coordination of
18 those interconnection requests would be a good idea.

19 CHMN. MAYES: Well, Mr. Belval, if I could ask
20 you, what do you mean by that?

21 MR. BELVAL: That's a good question.

22 CHMN. MAYES: I mean I guess it gets to the rub
23 of what we're doing in these workshops. And -- and I find
24 this map very interesting. It's a little different than
25 Rob's map, I guess just from a visual standpoint, but I

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2 assume that it represents what, essentially, he presented
3 on his map the last time. But it does show pretty clearly
4 where the clusters are.

5 MR. BELVAL: Yes.

6 CHMN. MAYES: And it strikes me that it, also,
7 while -- while slightly more precise than the renewable
8 energy zones that were drawn two years ago by our BTA
9 Renewable Energy Task Force, that it still roughly
10 approximates the zones that were drawn. And it looks like
11 we have needs in Northeastern Arizona. It looks like we
12 need -- we have pretty clear needs along the North Gila #2
13 line and it looks like we have needs along what was the
14 Devers-2 line.

15 MR. BELVAL: Right.

16 CHMN. MAYES: So it doesn't take a rocket
17 scientist to figure that out -- or even a Corporation
18 commissioner. So --

19 MR. BELVAL: Yeah.

20 CHMN. MAYES: You know, I guess -- but
21 that's -- so what do you mean by -- by that last statement
22 that you made?

23 MR. BELVAL: Well, I think there's -- there's a
24 nexus of activities that are taking place, that are coming
25 together at the right time.

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2 I'm going to be getting into a little bit more
3 of the process of the large generator interconnection
4 process, the FERC mandated process, and what we're
5 required to do under the tariff today.

6 As I said, that process is pretty
7 prescriptive. And if we were to, for instance, decide
8 that we were going to cluster the studies, the process
9 allows each individual transmission provider to cluster
10 the requests that it has to its own transmission system.

11 It doesn't explicitly require clustering of
12 multiple transmission interconnection requests or
13 coordinating the project queues. I guess that's kind of
14 the direction that we're headed and I think that that's
15 one means of helping to streamline the process.

16 One approach that we could use today is, for
17 example, if TEP were to -- looking at Cholla and Coronado,
18 you know, from the Springerville interconnection point,
19 that we could infer that there is a system impact on the
20 other two transmission providers, so they would become
21 affiliate systems or affected systems, and we could
22 coordinate the effort on that basis.

23 I think we'd have to use some -- some
24 creativity in thinking about this. But I think I can
25 answer your question a little bit more completely in the

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2 next few slides.

3 CHMN. MAYES: Okay. Sure. And then if you
4 could, when it's appropriate, address the implications of
5 the FERC Zephyr decision on all of this.

6 I don't know if you're the appropriate person
7 to discuss that, but if somebody could address that and
8 what that means for our process.

9 MR. BELVAL: I -- somebody else want to do that
10 now?

11 MS. ORMOND: Well, Phil has left.

12 MR. BELVAL: Yeah, Phil has left.

13 CHMN. MAYES: Oh, I know. I saw him leaving.

14 Well, maybe Amanda. I don't know if you or --
15 or Tom -- maybe Tom could address that, because I know
16 he's dealing with that. So -- okay.

17 MR. BELVAL: Okay. Thank you.

18 So your -- your question was very timely. The
19 first of the challenge is coordination of the queues among
20 the different transmission providers -- and that's exactly
21 what we were just talking about on the previous slide.

22 It is a real challenge today because it's
23 difficult for us to do our system -- our feasibility, and
24 particularly, our system feasibility impact studies,
25 because, depending on what position the interconnection

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2 request is in the queue, that makes a difference what we
3 put into the models.

4 In other words, the first in the queue would be
5 studied; we determine the system impacts, identify
6 upgrades that would be needed to make the
7 interconnection.

8 Then the next in the queue, the study would
9 include those upgrades in the model and so on. So they're
10 sequential.

11 If you have a number of interconnection
12 requests that come in at relatively close -- pretty close
13 to the same time interval and in the same location, it's
14 much more difficult to do that. If you try to sequence
15 them, you end up with unmanageable schedules. That's part
16 of the problem that we're facing.

17 CHMN. MAYES: So regardless of the viability of
18 the project that has made it to the front of the line of
19 the queue, you have to study that project over other
20 projects.

21 MR. BELVAL: Yes.

22 CHMN. MAYES: And -- and that -- that slows us
23 down and -- and those -- there may be unviable projects
24 that are being studied, rather than ones that -- that
25 are -- that are really ready to go.

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2 MR. BELVAL: That's -- that's conceivable. And
3 kind of what -- part of that would be what we refer to as
4 the queue setters in the queue. There could be some that
5 are in the queue and trying to determine whether or not
6 they want to move ahead with the project.

7 So obviously, you have a good understanding of
8 what the issue is, in terms of the -- of the queue.

9 I think that the way to -- well, to manage that
10 will be -- I'll be talking about that in the next slide --
11 but it's clustering, and also maybe require some changes
12 to the interconnection procedures.

13 Also, a challenge is, How do you manage
14 interconnection requests that are made to joint
15 transmission projects themselves? An example would be the
16 Palo Verde to -- or the Southeast Valley Project. There
17 will be some requests to that project, and since there's
18 not any particular owners, jointly owned, we can't really
19 say, "Well, it's under one individual participant's
20 tariff."

21 CHMN. MAYES: Um-hmm.

22 MR. BELVAL: So that group is -- is working on
23 a joint participation project, large generator
24 interconnection procedure. And it's particularly --
25 it's -- it becomes more challenging when we have a

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2 combination of FERC and non-FERC jurisdictional
3 participants.

4 And obviously, you need to have something that
5 would be a common basis, because the individual
6 transmission providers have some variations in their open
7 access transmission tariffs.

8 Again, timely identification of the affected
9 systems -- that speaks to the coordination of the queues
10 itself. If we could know, you know, before actually doing
11 the study which are going to be the affected systems, that
12 would be very helpful. But I think we're going to have to
13 make some assumptions about that. Again, that affects the
14 timing.

15 And -- and finally, how do you identify viable
16 projects? Obviously, the transmission provider cannot be
17 using its own judgment. That determinations have to be
18 made on the basis of study results.

19 Then, getting into the opportunities -- we were
20 talking about this -- is that the opportunity lies in our
21 ability to come up with the coordination of the queues
22 among the transmission providers.

23 And going back to that graphic of the state,
24 where you could see that there were several
25 interconnection requests that were clustered around

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2 certain areas, that's where this would apply.

3 One of the thoughts would be to have a central
4 OASIS clearinghouse. That way all -- each of the
5 transmission providers has their own OASIS. Somehow, it
6 would be helpful to be able to look at all interconnection
7 requests to all of the transmission providers and try to
8 coordinate them on some basis.

9 We have some work to do on trying to figure out
10 how that -- that may happen.

11 Under close coordination of the interconnection
12 requests, there -- one of the things that we've noted is
13 that there are, in some cases, duplicated requests. I
14 mean, the same generator will make an interconnection
15 request at multiple locations for the same project.

16 Again, there is a process underway to develop a
17 common interconnection procedure for jointly-owned
18 participation projects -- that's well underway.

19 We need to find some way of increasing the
20 transparency of the process among the transmission
21 providers and the interconnection customers.

22 But I think the most important point refers to
23 the -- the cluster studies. Some of the improvements that
24 we could make, in terms of the cluster studies, is now we
25 have -- well, a window that is defined as 180 days for

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2 clustering studies.

3 And what that means is that -- for example,
4 if -- if any transmission provider were to decide to
5 cluster -- to come up with a cluster study, they would
6 have to pick a window, say beginning July 1st through the
7 end of the year, and then the interconnection requests
8 that would be coming in within that window would be the
9 only ones that would be considered for being clustered
10 into a single study, and that study would start at the
11 next window period. So that adds a lot of time to the
12 process.

13 One of the improvements that could be made
14 would be to shorten that cluster window to 60 or 90 days.
15 That's one thought.

16 CHMN. MAYES: And what is involved in a cluster
17 study, I mean, as you envision it?

18 MR. BELVAL: It would be looking at -- well, if
19 you look at the map --

20 CHMN. MAYES: Yeah.

21 MR. BELVAL: -- if they can refer back to the
22 map.

23 CHMN. MAYES: Right.

24 MR. BELVAL: If you've noticed that you have a
25 number of interconnection requests that are in the same

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2 geographic area --

3 CHMN. MAYES: Um-hmm.

4 MR. BELVAL: -- that would be connecting in a
5 relatively close location on the transmission network, and
6 in any of the approximate same -- approximately same time
7 frame, they would be considered for clustering.

8 Difficulties could be caused if some of these
9 decided they only wanted to do -- they wanted to do a
10 feasibility study and then a system impact, and someone
11 wanted to do the system impact, because the clustering
12 only applies to system impact studies.

13 And I know this is -- this sounds confusing --
14 confusing, but I think, you know, one of the possibilities
15 to improve the process is to treat feasibility studies
16 differently, maybe outside of the process, and encourage
17 customers to move into a system impact study phase
18 earlier.

19 CHMN. MAYES: And how much of that is currently
20 within the control of the utilities? Could you conduct
21 these cluster studies right now?

22 MR. BELVAL: We can. But we have to define a
23 cluster window.

24 CHMN. MAYES: A cluster window?

25 MR. BELVAL: Right.

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2 CHMN. MAYES: That meaning?

3 MR. BELVAL: Meaning when interconnection
4 requests would be coming in and be considered for -- for a
5 clustered study. And you'd have to wait the entire
6 period, in order to aggregate all of the interconnection
7 requests that would be studied within that window.

8 CHMN. MAYES: But you could do that today?

9 MR. BELVAL: We can.

10 CHMN. MAYES: And have you thought about that?

11 MR. BELVAL: Yes.

12 CHMN. MAYES: Are you doing it?

13 MR. BELVAL: We are in the process of -- of
14 doing that, yes.

15 CHMN. MAYES: Given -- given the amount of
16 information we already know about what's out there.

17 MR. BELVAL: Yes.

18 CHMN. MAYES: It's fairly -- it's fairly clear,
19 at this point -- although I'm sure some will drop off and
20 some will add on over time -- but we've developed a lot of
21 information about which projects are out there; where, you
22 know, roughly where they are; and where they've made
23 interconnection requests.

24 MR. BELVAL: Right.

25 CHMN. MAYES: So when will you do that?

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2 MR. BELVAL: I think the closest cluster window
3 would be July to the end of this year -- I mean, if we're
4 required to follow the procedure at this point.

5 If we could shorten the cluster window, we
6 could probably shorten that process.

7 I think the only alternative -- and I guess I
8 would ask for input from others, as well -- is using
9 the -- the affected systems concept, I think we could go
10 ahead and probably work it out using that part of the
11 process.

12 MR. LUCAS: Ron, a couple comments.

13 Commissioner Mayes, John Lucas, with APS.

14 Clustering of projects that are presently in
15 our queue -- we do that on a quarterly basis. That is
16 only APS -- or projects that are in the APS queue, and it
17 is on -- it is on a quarterly basis, based on when the --
18 that system impact study agreement is executed and prior
19 to the start of that next quarter -- then we would end up
20 clustering that with other work.

21 CHMN. MAYES: Okay. Well, and I guess I'm
22 trying to understand what -- what is stopping us from
23 moving forward on the technical studies necessary.

24 I mean, I -- what -- what are you waiting for,
25 at this point? So you do these cluster studies now, then

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2 what happens?

3 MR. LUCAS: Then we look at the results of the
4 cluster studies.

5 CHMN. MAYES: Um-hmm.

6 MR. LUCAS: And then based on the outcome of
7 that system impact study -- and we could be clustering
8 two, three generators -- the outcome of those -- of that
9 study, then they -- then we go through another phase of if
10 that generator wants to proceed to a facilities study.
11 And then that has been basically focused on the cost of
12 connecting the impact of the system and then what they
13 would pay and what our obligations would be.

14 CHMN. MAYES: Okay. And -- and of course one
15 of the big issues is what they have to pay, and -- and you
16 know, the costs of that and that -- that is a -- one of
17 the biggest things -- biggest obstacles to getting
18 renewable transmission built.

19 And of course, Tom's group is working on
20 alternative financing mechanisms to look at that, so --
21 and -- and I would presume that -- well, what -- give me
22 an example of what has happened.

23 When you -- when you've done these cluster
24 studies, you've identified generators who need
25 interconnection. Going back to that map, would you --

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2 it's -- it's obvious there are -- there are potential --
3 projects that -- that would like interconnection -- now,
4 of course the question whether they have PPAs is another
5 issue -- but obviously, you've done a number of cluster
6 studies that I would assume have just sat on the shelf.

7 MR. LUCAS: Well, we're on the front end of
8 most of those cluster studies. We -- we have a cluster
9 study that has completed for system impact study in one
10 area, and has been finalized with one of those generators,
11 and they've moved on to the facilities study, and the
12 facilities study will be out shortly.

13 And based on what they interpret from the
14 results of the facility study, which is the cost and the
15 time -- time frame, the milestones to build those
16 facilities, then they will determine if they want to move
17 forward to an agreement -- LGIA.

18 CHMN. MAYES: An agreement to build the --

19 MR. LUCAS: -- build the facilities.

20 CHMN. MAYES: Which facilities?

21 MR. LUCAS: To -- to interconnect into the
22 electrical -- into the electrical grid.

23 CHMN. MAYES: Well, that's assuming there's a
24 power line to interconnect to. Right?

25 MR. LUCAS: Yes. That would be part of the

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2 study.

3 CHMN. MAYES: Okay.

4 MR. LUCAS: The study is determining the impact
5 to the electrical infrastructure. And whatever that
6 impact to the electrical infrastructure is, then we would
7 put the cost of those upgrades, if those upgrades are
8 needed.

9 CHMN. MAYES: Including the entire construction
10 of the line?

11 MR. LUCAS: Yes. If the line is networked.
12 If -- if it's a -- if I could back up one moment,
13 Commissioner --

14 CHMN. MAYES: Sure.

15 MR. LUCAS: -- Chairman. The -- the generator,
16 depending on where they're located, if they're located
17 within two miles of a particular facility --

18 CHMN. MAYES: Um-hmm.

19 MR. LUCAS: -- then they would tell us where
20 their point of interconnection would be. Typically, that
21 would be our electric facilities that exist there.

22 So they would be responsible for those two
23 miles of line, their own facility, electrical
24 infrastructure on their side.

25 CHMN. MAYES: Um-hmm.

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2 MR. LUCAS: And then we would provide them the
3 results of the -- the impact of the study on what that did
4 to the electrical system.

5 CHMN. MAYES: Um-hmm.

6 MR. LUCAS: What those costs would be, what
7 those requirements would be for upgrade. And we would
8 provide that data to them, along with the milestones to --
9 to construct those on a particular -- by a particular
10 date.

11 And then if they choose, they like that, then
12 we move on into the LGIA, the agreement to actually move
13 forward and build those facilities.

14 CHMN. MAYES: Okay. But my question is, for
15 instance, these projects that are seeking interconnection
16 in the Harquahala Valley, there is no ATC, as I understand
17 it, on Devers-1, how do they get -- how do we get them
18 onto a line to transfer capacity either into Phoenix or
19 into Los Angeles?

20 I mean, the issue is there is no line.
21 Correct? I mean, and the same with the interconnection
22 requests along the North Gila #1 line, which is almost
23 fully subscribed, as I understand that.

24 MR. LUCAS: And I could talk briefly on the
25 North Gila Number I, we do have an interconnection,

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2 presently, that we have -- are studying on North Gila #1.

3 CHMN. MAYES: Right.

4 MR. LUCAS: It has moved into the facilities
5 study. And based on that output, there is a possibility
6 that project will move -- move forward, we'll build those
7 facilities, and they'll interconnect right at that point.

8 CHMN. MAYES: Yeah. But that line has ATC -- a
9 little bit of ATC.

10 MR. LUCAS: Yes.

11 CHMN. MAYES: Okay. But what about, again,
12 going back to these projects that clearly don't have ATC,
13 including the projects in Northeastern Arizona --

14 MR. LUCAS: Okay.

15 CHMN. MAYES: -- the wind projects.

16 MS. ORMOND: Mr. Chairman -- Madame Chairman, I
17 think we're confuse -- not confusing things.

18 But we're talking about specific project
19 intersects versus trying to facilitate new transmission
20 lines or substantial upgrades, to be able to bring a lot
21 of those people on line.

22 So this presentation was geared towards trying
23 to talk about the specifics of, if I'm a generator, how do
24 I go get on the line? What is the process?

25 You're -- you're asking a more fundamental

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2 process -- how do we get the lines so we can get that
3 whole interconnection process?

4 MR. LUCAS: Right.

5 CHMN. MAYES: Right. Because all of this is
6 moot if there's no line, there's no ATC.

7 MS. ORMOND: Absolutely.

8 CHMN. MAYES: I mean, this is all -- I
9 appreciate this. I mean, this is good for us to
10 understand what the interconnection process will be,
11 although it's going to be -- I think that some of these
12 details will change as we see some of the federal
13 legislation move through --

14 MR. LUCAS: Right.

15 CHMN. MAYES: -- with cost allocation and --
16 and of course, what's happened already at FERC. But I
17 appreciate this.

18 MS. ORMOND: Yeah.

19 CHMN. MAYES: I just -- I just -- see the
20 bottleneck, and I think everybody in the room sees the
21 bottleneck.

22 MS. ORMOND: Right. And it is important,
23 because we're always going to have this issue. And so
24 finding ways to streamline and speed is --

25 CHMN. MAYES: Yeah.

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2 MS. ORMOND: -- is going to be good for
3 everything. But it is -- it is a component of even the
4 larger picture of trying to get some new stuff built to be
5 able to bring these things online.

6 MR. WRAY: Yes.

7 CHMN. MAYES: Okay. And I know Tom wants to
8 speak.

9 But could I ask you, in terms of dealing with
10 this issue -- and I've spoken to a number of utility folks
11 about the issue of the less viable candidates clogging up
12 the queue -- I know it's a sticky issue. And I know
13 it's -- you know, maybe even politically dicey, because,
14 you know, who's to judge who is viable and who is not.
15 But we all know there are nonviable projects that are --
16 that are -- that are in the queue ahead of others.

17 And so can you describe how we solve that
18 problem? Maybe a more -- maybe in more layman terms for
19 me, so that I can understand that.

20 MR. LUCAS: Okay. There have been others who
21 have revised their LGIPs.

22 CHMN. MAYES: In California or --

23 MR. LUCAS: California -- okay. Cal ISO, for
24 example.

25 CHMN. MAYES: Um-hmm.

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2 MR. LUCAS: Where they have increased the
3 deposit requirements from 50 to \$250,000. There are
4 opposing points of view on that -- whether that's a good
5 thing or a bad thing -- but the point is to encourage
6 serious interconnection requests.

7 CHMN. MAYES: And does your company or does APS
8 believe that's been effective in California?

9 MR. LUCAS: I was talking with some folks,
10 yesterday, from California, and their belief is that it
11 has been -- has been effective.

12 I know that some folks in -- well, Imperial
13 Irrigation District is in the process of increasing their
14 deposit requirement for an interconnection request to
15 \$250,000. Tri-State NT has done the same thing. And I --
16 I'm sure there are others, like, I think, there's a belief
17 that it has been effective, but not everybody has done it
18 yet and there's not a great deal of experience with it
19 yet.

20 CHMN. MAYES: Okay. John?

21 MR. STAHLHUT: Chairman, two comments, I've
22 heard the same thing that it was -- that it was effective,
23 that with that advance that was required, caused some
24 people to drop out. But I would also like to point out,
25 too, that WestConnect, that fell off just earlier this

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2 week, initiated a meeting to look at LGIP for those
3 entities in the WestConnect.

4 While I don't have the answers about where that
5 will go, they are definitely looking at reforming -- I
6 won't -- I won't say reforming -- but changing the LGIP
7 maybe to provide some consistency between the various
8 utilities. So I think the outcome of that will have some
9 benefit.

10 CHMN. MAYES: Tom?

11 MR. WRAY: Yes. I was at that meeting
12 yesterday. And I -- I believe there is some good news
13 coming out of that, is that they did form a formal group
14 to look at streamlining the LGIPs and to come up with some
15 proposals that each of the individual transmission
16 providers could incorporate into amendments to their --
17 their LGIPs.

18 The next meeting -- or the first meeting for
19 this subgroup to look into that is scheduled for
20 June 25th. And -- and so there's --

21 CHMN. MAYES: But since Arizona is not in an
22 RTO, or certainly are not in Cal ISO, could we do that on
23 a utility-by-utility basis? I mean, could APS make that
24 determination or make an application to the Corporation
25 Commission?

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2 MR. LUCAS: My understanding is that APS alone,
3 it would be more challenging, but as we do it as
4 WestConnect as a whole, it would be easier to make those
5 changes.

6 CHMN. MAYES: Why would it be more
7 challenging?

8 MR. LUCAS: I would have to bring someone
9 involved with that a little bit.

10 Do you know on that one?

11 MALE SPEAKER: If I could just give you some
12 other thoughts on it, is that -- well, one of the thoughts
13 is that, I guess, FERC appreciates consistency among
14 utilities.

15 And I'll just read some of the objectives from
16 the Cal ISO generation interconnection.

17 CHMN. MAYES: They also -- they also like RTOs,
18 and we don't have one of those, thank goodness, here.
19 So -- but you could make an application to FERC?

20 MALE SPEAKER: Yes.

21 CHMN. MAYES: Okay.

22 MALE SPEAKER: We could.

23 The question is, Would they approve it?

24 And the -- we do know that they did like the
25 Cal ISO objectives -- clearing the backlog, balanced

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2 generation developer flexibility with increased
3 generation, developer commitments, provide interconnection
4 customer with significant certainty regarding network
5 upgrades costs -- these are all barriers -- increased
6 certainty of -- regarding timing of interconnection study
7 outcomes, reduce or eliminate the need for restudies --
8 that would be a benefit of clustering -- better
9 integration -- better integrate generation interconnection
10 process with the -- and I'm going to say transmission
11 providers, transmission planning process -- allowing
12 integration of state efforts to identify transmission
13 needs for energy resource areas.

14 FERC likes those objectives.

15 CHMN. MAYES: Thank you. Sorry for the
16 interruption.

17 MALE SPEAKER: And I don't believe I have any
18 more to offer at this point.

19 MS. ORMOND: Okay. We are going to take a
20 question or two.

21 And then Madame Chairman, I'm going to ask
22 you -- oh, we had Tom, too. Sorry.

23 I'm going to ask you your preference. We are
24 going to have one presentation before lunch, still, from
25 Brad Albert, to kind off tee off some of the policy

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2 questions that we're going to be talking about after
3 lunch.

4 So we can either do that or we could break --
5 break for lunch.

6 CHMN. MAYES: Sure.

7 MS. ORMOND: Tom, did you want to --

8 MR. WRAY: Yeah. Madame Chairman, I just
9 wanted to say that it's in the interests of the
10 interconnectors and the utilities to cluster.

11 The problem is -- and Ron was talking about it
12 earlier -- that clustering right now, if it's going on at
13 all in Arizona, is occurring at the feasibility stage, not
14 the facilities study stage.

15 The reason it's not, it's not because the
16 utilities are being uncooperative. It's because the
17 interconnectors are either unsophisticated or not real
18 enough to be able to provide the things you need to
19 provide the utility with whom you're interconnecting, on
20 the kinds of machines and transformers and things that you
21 pretty much have either -- have acquired or at least
22 specified for your particular generation project -- all
23 kinds of re-actances (sic) and things. If you're not
24 real, you're not going to have those things.

25 CHMN. MAYES: Yeah.

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2 MR. WRAY: So once you get through the sort of
3 clustering that can be done at the feasibility stage, and
4 you get into the facilities agreement which involves more
5 money being paid to the utility to conduct that study, I
6 think that's when you're going to decide, Is there enough
7 incremental ATC now being requested to justify this next
8 transmission line?

9 And in reading through the lines in Southern
10 California Edison's letter, it said that if enough of that
11 shows up, they'll be back in here to the Line Siting
12 Committee looking to site that line -- or somebody will.

13 CHMN. MAYES: And Tom, what -- I guess so that
14 the question is, How do we -- how can we expedite that
15 process to the degree that it's reasonable to do so, so
16 that we can know, you know, what that incremental ATC is
17 and whether that line needs to be built or -- or the North
18 Gila #2 line or -- or whatever -- although North Gila #2
19 was -- has already been certificated, so --

20 MR. WRAY: I think -- I think the order that
21 we're -- that we're in here, today, responding to, has
22 already started that. I mean, I think you've started
23 that.

24 I think we're going to -- we're going to learn
25 more as we get through this. But there are certainly some

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2 things you can do, from the cost-recovery standpoint, to
3 give as much assurance as you can, to defend your -- to
4 the ratepayer group -- that you're also in here
5 representing.

6 CHMN. MAYES: Right.

7 MR. WRAY: I mean, you're also looking out for
8 the interests of the shareholders of the companies that
9 are here. And it's that balancing provision that you have
10 a constitutional authority and responsibility for.

11 I think we're going to get there, but it's --
12 it's going to take some give and take on both of those --
13 on both of those groups that you're -- you're
14 representing.

15 MR. STRACK: I have a question, if it's time.

16 This is Jan Strack from San Diego Gas and
17 Electric.

18 I noticed that -- back to this clustering --
19 that you identified some clusters up around Coronado and
20 also I think there's some around the Hassayampa area. And
21 what I've observed, of course, is that there's a lot of
22 fossil fire generation -- fossil fire generation up in
23 that area to the north, and a lot of gas fire
24 generation -- fossil fire generation around Hassayampa.

25 The question I would have is, How do you go

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2 about accounting for the displacement of the fossil
3 generation that this renewable program is going to have --
4 and potentially, that goes directly to the question of ATC
5 availability.

6 So I'm just curious how you approach that
7 displacement? Because I think with the amounts we're
8 talking about here, it could be very substantial,
9 actually, and it could substantially change what is needed
10 in the way of transmission.

11 MALE SPEAKER: I -- I'm not sure we can answer
12 that question with any specificity, but I know that you
13 know, TEPPC, or the -- one of the study groups at TEPPC
14 doing the Western Governors' Association, "Why WREZ Work,"
15 has been doing some studies looking at 2012 and 2017, and
16 doing various scenarios of combinations of wind, solar,
17 energy efficiency, and looking at displacing various
18 combinations.

19 But the -- the prime choice was to displace
20 gas-fired, simple-cycle, combustion turbines -- or
21 combined cycles, but they also looked at displacing some
22 coal-fired generation.

23 That's an analysis that's -- that's underway
24 and is continuing. They're going to be -- I mean, they
25 have another study planned for this year to look at

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2 through 2019.

3 I think that's part of the answer to your
4 question, as well, Commissioner Newman, is what is -- what
5 is being done regionally -- and that's one area where
6 they're really explicitly looking at renewables and how it
7 can be absorbed into the system -- what resources will it
8 displace and what transmission has to be built to move it
9 to the markets?

10 MALE SPEAKER: And I will -- I'll just say, I
11 mean, it's a good question. It seems to me that if you're
12 going to economically dispatch generation, you're going to
13 have to put the real price of the generated kilowatt hour
14 on the price signal, so that that gets dispatched -- the
15 higher cost gets dispatched last.

16 His question is a good question, but it can't
17 be rationally dispatched until Congress tells us what
18 carbon costs. Until that is done, and that's reflected in
19 the price of that power, then the market is going to
20 continue to dispatch least cost first. And
21 (indiscernible) get dispatched that way, because that's
22 going to be the costs they foresee.

23 So we can't -- we can't make an economic
24 dispatch decision with today's prices, because the
25 dispatch -- we're trying to sort of encourage the dispatch

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2 renewables first -- that's a policy dispatch; it's not a
3 price dispatch. You won't get there until whatever tax,
4 if it's going to be that -- and which is an externality
5 assessment of the cost of that fuel or how it's used -- is
6 in the price of the product.

7 MR. ALBERT: And I'll echo what Tom said a
8 little bit -- Brad Albert, from APS -- that we've got this
9 issue right now that the policy related to carbon is
10 certainly an issue related to the coal units up there at
11 Cholla, Coronado, in that Northeastern section of the
12 state.

13 So our guidance, right now, will come from our
14 resource plans and -- and what we envision at least, right
15 now, viewing it from the lens of what we know right now,
16 of carbon costs and the potential of future legislation.
17 Our plans are still to keep those coal units operating and
18 needing the transmission for that purpose, right now.

19 CHMN. MAYES: Commissioner Newman?

20 COM. NEWMAN: Yeah. I wish I was -- I don't
21 think anybody is expert enough to answer all of these
22 variables. But one thing I wonder about in the case of --
23 I know, in our instance, Unisource TEP has more of a
24 dependence on coal than -- than -- than APS right now.

25 And perhaps someone from TEP -- actually, I

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2 would like a response to this -- the -- you don't know
3 what the parameters of the cap and trade are going to be.
4 The debate will happen; it will be a very, very
5 interesting debate, probably last a couple of years. I
6 don't think it's going to get done -- I don't think it's
7 going to get done in six months. This will be -- this
8 will be a couple of year debate.

9 But you have to make plans if you're in TEP or
10 in APS's shoes or SRP's shoes -- you know, we don't
11 regulate them. You're -- you have to speculate on, you
12 know, how you want to add in the renewables. And at some
13 point, maybe just want to phase out some of the coal, some
14 of the -- the -- the more inefficient coal plants. You
15 have to be making those decisions, regardless of the -- of
16 the specific parameters of cap and trade right now. And
17 we're talking about resource planning.

18 So I mean, you can, in the case of TEP, their
19 most inefficient plant in Springerville -- and I'm just
20 speculating because I have no inside knowledge -- but if I
21 were in the management's shoes, I would say, "Well, what
22 would have to go first?"

23 Then you say, "Well, that will go and that will
24 give us more room to put on renewables on this line."

25 And you -- don't you have to make those kinds

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2 of guesses?

3 And this just comes from my own sort of
4 management training background.

5 MR. ALBERT: And if I can respond, Commissioner
6 Newman.

7 I agree with what you said. And I -- I think
8 the resource plan that we filed back in January sort of
9 represents where -- where our opinions, thoughts on the
10 whole issue is right now. It's certainly a lot different
11 than what it was two years ago. And I expect that the
12 situation will continue to evolve over time, in terms of,
13 you know, two years from now or five years from now, the
14 way we envision our resource picture will continue to
15 evolve, based on carbon. Certainly, that's going to be a
16 major factor.

17 There's going to be other factors, I'm sure,
18 that are going to be -- appear. But I -- I think we need
19 to view it sort of as an evolution that's going to occur
20 over time, that it's going to be a constantly evolving
21 picture that's going to change how we can utilize our
22 transmission system, I would think, also.

23 FEMALE SPEAKER: And Commissioner, I haven't
24 seen any utility talk about backing down any of their coal
25 plants in anything.

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2 So I know we've talked about that or you're
3 heard about that in other forums, I think -- Excel has
4 actually --

5 COM. NEWMAN: I -- I have -- I've heard about
6 it in -- in an Arizona context --

7 FEMALE SPEAKER: Okay.

8 COM. NEWMAN: -- and don't ask me how I know
9 even.

10 FEMALE SPEAKER: Okay.

11 COM. NEWMAN: I'll probably get in trouble.

12 FEMALE SPEAKER: I -- I -- you know, there's
13 a -- there's a tremendous amount of transmission
14 availability, if you took some of these things offline, in
15 areas that are rich in resources. But I haven't seen much
16 dialogue about doing that, because there's certainly costs
17 to doing that.

18 MR. CHARTERS: Jim Charters, Western States
19 Energy Solutions.

20 We -- looking at the intermittency and
21 availability, especially at night, of solar, you're not
22 going to be able to get rid of these -- all of these
23 machines very soon. You're going to have to have them to
24 fill in, et cetera.

25 And while renewables are -- are -- and I think

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2 we need to push as hard as we can to get renewables, we
3 will have to have these machines for some period of time
4 in the future.

5 I haven't heard of anything, in terms of
6 storage, that's -- that's come along that says it's going
7 to be really super cheap and we'll be able to, like, store
8 overnight and stuff, so...

9 CHMN. MAYES: Well, to that point, you know,
10 certainly we haven't solved the 24/7 problem. But I find
11 it very interesting that APS is now referring to both
12 Solana and Starwood Solar I as a dispatchable resource,
13 which is dispatchable with molten salt storage well into
14 the evening hours, as I understand it.

15 So I think there's a (indiscernible) change
16 going -- afoot, at least at APS, with regard to their --
17 their views of that.

18 Well, I mean, sure, it costs money.

19 But I can also tell you, sir, that APS believes
20 both of those units, Solana and Starwood Solar I, will be
21 less expensive under cap and trade than the alternative
22 fossil fuel generation.

23 So I think a lot depends on what happens in
24 Congress. And I don't know too many people who don't
25 believe they're going to move forward with cap and trade.

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2 It may take a couple years, but I believe it's coming.

3 So I -- you know, I -- to this -- to this point
4 of -- of displacement, it's an interesting question.

5 One of the things that -- that Southern
6 California Edison told me, when they decided to pull the
7 plug, at least temporarily, I guess, on Devers, was that
8 they had renewable generation on the California side of
9 the border.

10 Now, whether they can actually build that,
11 that's anybody's guess. I have my doubts about that. But
12 what they did say was, you know, Look -- and what they
13 were saying before they pulled the plug, when they were
14 still going through our meet-and-confer process -- which
15 was that the economics for Arizona improved because they
16 were going to be taking less of our gas-fired generation
17 across that line, because it would be more fully
18 subscribed with renewables on the California side after --
19 you know, west of Blythe.

20 And so -- so that is -- that is true, although
21 I wonder whether this is as much an issue when we're
22 building new lines. I mean, you know, when you're looking
23 at a -- at a new line, where under Zephyr, if you can have
24 a couple of anchored tenants that take 50 percent of the
25 line -- I mean, Mr. Wray, you're working on a line that

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2 will have both renewables and fossil generation on it, as
3 I understand.

4 So can you talk to that issue? How much -- is
5 this a real issue when we're talking about new
6 transmission lines? Or is it a bigger issue when you're
7 talking about making upgrades or using ATC on existing
8 lines?

9 MR. WRAY: I think it's -- it's more to making
10 economic choices about expansion at the increment. I
11 mean, if you're talking about a brand new categorical
12 system improvement, you're going to -- you're going to
13 want to anchor that down with as much creditworthy -- with
14 as many creditworthy customers as you can, particularly in
15 today's financial markets.

16 I mean, we have banks, today, in this country,
17 that are unwilling to lend into a fully covered
18 construction period, lend-and-loan facility -- and I know
19 of some rather large generation projects, domestically, in
20 this country, that are going to be financed through
21 construction with equity.

22 As little as six months ago, that was unheard
23 of. I mean, that -- that banks are not willing to go in
24 and syndicate a large construction loan facility -- that
25 that's coming from equity sources to do that. And so it's

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2 a very upside down world now in project financing.

3 And so in the business that I'm in,
4 particularly in the case of SunZia, we want as many
5 credit-quality anchor tenants as we can. And that
6 pipeline model that Mr. Dion talked about earlier, which
7 is really what you're seeing slowly implemented by FERC in
8 electricity, is a way to get these -- these projects
9 financed.

10 You've got to remember that you'll always have
11 a need in a project that has anchor tenants. You'll
12 always have a need for -- for an open access tariff that's
13 filed, an opportunity to be able to -- to post available
14 transmission capacity; if, for no other reason, if your
15 anchor -- one of your anchor tenants defaults. If there's
16 a commercial default, you want to -- that -- you want to
17 replace that anchor tenant as soon as possible.

18 Maybe the best and fastest way to do that is to
19 post that ATC on your OASIS, at that tariff, and get
20 the -- and get the financing covered back up, because
21 you've got to make mortgage payments on your debt, and so
22 forth.

23 But I think the -- the situation that -- that
24 you're looking at, with you going back to the Devers
25 case -- we keep going back to that like it's an old water

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2 trough we can't get away from -- that line capacity will
3 show up when there is sufficient creditworthy demand for
4 it -- and not a day before it. We can wish it all we
5 want, but it will not build itself.

6 It will -- it will build itself when there are
7 creditworthy customers, and they're willing to make the
8 capital or commitments that they have to make to build
9 their three square miles of mirrors because they,
10 themselves, have customers.

11 CHMN. MAYES: Right.

12 MR. WRAY: It's all a food chain.

13 The important thing here, I would say to you,
14 is that the utilities that you regulate -- it's really
15 important that they themselves stay creditworthy so they
16 can play in this food chain. If they -- to the degree
17 they're not, they're not investment grade. They don't --
18 they can't deliver some of the promises that you want to
19 be able to make here, as -- as Commissioners, because
20 they're not financeable.

21 CHMN. MAYES: Well, and I appreciate the -- the
22 merchant perspective.

23 One -- and then I -- then I know Brad wants to
24 go -- or speak.

25 But how does this equation change if WAPA were

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2 involved?

3 And I want to acknowledge the fact that WAPA --
4 I understand WAPA is here, and I want to thank them for
5 being here. It's a pleasure that you're here.

6 WAPA, where are you?

7 Thank you, very much, for being here. And I
8 certainly look forward to working with you. And I
9 certainly hope that -- that Western -- Western will think
10 about and consider investing in Arizona. We're very
11 interested in that.

12 But if it -- if -- if WAPA is involved, how
13 does that change the equation for all of this?

14 MALE SPEAKER: Would you -- I would suggest
15 asking --

16 CHMN. MAYES: Well, I don't want to -- I want
17 to ask the utilities.

18 MALE SPEAKER: Okay.

19 CHMN. MAYES: I don't want to -- I don't want
20 to put them on the spot --

21 MALE SPEAKER: I --

22 CHMN. MAYES: -- because that's -- I -- I
23 didn't ask them to speak today.

24 MALE SPEAKER: Okay.

25 CHMN. MAYES: But it seems to me that a lot of

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2 these -- these finance issues go away, a lot of the
3 interconnection issues go away. We know where the -- we
4 know where the interconnection requests are, if -- if it's
5 the federal government building the line, what -- how does
6 it -- how does that change the equation? And I don't --
7 for good -- for good or for bad, I don't know.

8 Brad, do you want to --

9 MR. ALBERT: Yeah. Just one thought on that.
10 And I -- I'm not sure. It -- it remains to be seen
11 exactly how the WAPA process is going to play out --

12 CHMN. MAYES: I understand that.

13 MR. ALBERT: -- because we're -- we're still
14 sort of early in the game. But --

15 CHMN. MAYES: I know.

16 MR. ALBERT: But I'll -- I'll point back to Tom
17 Wray's comments that, even under the WAPA model, there --
18 there's an obligation on their part to provide some sort
19 of a justification that revenues from the project are
20 going to be able to pay off the project debt over the
21 course of the life -- life of the thing.

22 CHMN. MAYES: Okay.

23 MR. ALBERT: How that gets applied, remains to
24 be seen.

25 CHMN. MAYES: But at least -- well, okay. And

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2 I understand that.

3 But it would seem that, at this point, when an
4 entity from the federal government has 3 and a half
5 billion dollars to spend, they might be a little less risk
6 adverse than many of the banks that are basically closed
7 for business. And I think that's one of the reasons
8 President Obama placed so much funding in WAPA and other
9 entities was he wanted to see transmission built in this
10 country at a time when our credit markets were frozen.

11 MR. ALBERT: Sure. And I -- I guess the point
12 is still that there's got to be some degree of real
13 commercial interest behind that -- behind the construction
14 of the line.

15 CHMN. MAYES: Okay.

16 FEMALE SPEAKER: Because the bonding -- the --
17 the authority -- you know, they're loans. I mean, they're
18 not -- the feds are just going to pay for it and we all go
19 on our merry way. These are loans that have to be paid
20 back, so there have to be creditworthy parties on the
21 end. So it's -- in a way, it's the same issue. It's just
22 a different financing mechanism.

23 But WAPA does have more abilities, and some
24 interesting ones.

25 CHMN. MAYES: Yes.

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2 FEMALE SPEAKER: And so we -- I think we do
3 need to understand, How does that affect some of these
4 bigger transmission projects? That's certainly of
5 interest to them.

6 MALE SPEAKER: If I may make an observation on
7 that.

8 CHMN. MAYES: Go ahead.

9 MALE SPEAKER: Western has issued a statement
10 of interest and there have been several responses to it.
11 And Western has convened some sessions to talk about those
12 proposals.

13 And it turns out, if you look at a map of
14 Arizona and look at the Western side of it, there are a
15 number of projects or proposals that were submitted, that
16 if you were to connect them together, they would look very
17 much like a -- a renewable project collector system. And
18 part of it, even some of the proposals or even looking at
19 the Palo Verde or the Devers line and Palo Verde/Gila
20 line, the net effect of that is not just -- it conceivably
21 could be fundable through the WAPA program.

22 A lot of details have to be worked out in terms
23 of the contracts and cost allocation and participation and
24 so on. But it certainly would make a difference, in that
25 there would be a funding source for a number of these

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2 different projects, at least on part of the system.

3 CHMN. MAYES: Commissioner Newman?

4 COM. NEWMAN: Madame Chair, I didn't know
5 that -- that Western was here, that -- and I'm glad to
6 know that they're here. I spoke earlier, and sort of in
7 a -- in a crying-out-for-help mode this morning about, you
8 know, how can we get this done.

9 And I guess -- I know he's not invited to speak
10 today, but he -- he -- I would like to hear a little bit,
11 almost in response to what I said this -- how I -- when I
12 came in this morning, you know, "What are we going to do
13 about this?"

14 I think I made a reference that there is
15 availability of some federal money that I was aware of,
16 and that's exactly what I was referring to when I
17 mentioned that. And I had no idea that you were in the
18 audience.

19 And so in -- you know, I'm just a -- I've been
20 in government for a long time. I believe in technology,
21 kind of fix -- fixing things up. And I believe that, you
22 know, this could work. I'm very hopeful about this.

23 And if you wouldn't mind speaking, even coming
24 to the podium, about your ideas about how you can help,
25 perhaps in a leading role, if the Commissioners were so

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2 inclined.

3 I know that there are merchant -- I'm not
4 putting you at a higher place than merchant lines or
5 anything like that, but I am interested in trying to
6 figure out what to do about the dirth of transmission in
7 Western Arizona, which is where a lot of our sweet spots
8 are.

9 So if you have anything to -- to say?

10 MR. MOE: Madame Chair, and members of the
11 Commission, my name is Darrick Moe. I'm the regional
12 manager for the Desert Southwest Region of Western Area
13 Power Administration. I moved to the area a few months
14 ago, and am enjoying the sun and so forth.

15 COM. NEWMAN: Welcome.

16 MR. MOE: I appreciate the note that we
17 weren't, you know, really prepared to speak today, but I
18 wanted to at least say hi.

19 I think our presence here would properly be
20 taken as an indication that we are certainly interested in
21 what's going on in the transmission footprint in this
22 area.

23 There are -- and -- and as Ron alluded to -- we
24 have begun some discussions with the key players that have
25 expressed an interest in working with us, to try to, you

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2 know, ferret out -- if we can come up with a good plan and
3 figure out ways that we could potentially move forward, as
4 opposed to, you know, being at the stage where we can make
5 any commitments or -- or really know, with much clarity,
6 where things are headed.

7 But -- but I can say we have started to talk to
8 folks, and -- and I think there's a lot of enthusiasm.
9 There's certainly enthusiasm on our part, in general, with
10 the transmission infrastructure program that Western has,
11 you know, in the last few months been given the go-ahead
12 to -- to look at, to move things forward as expeditiously
13 as we can. That's certainly part of the game.

14 There are a couple of other clear criteria in
15 the law. One of them is -- it was alluded to a few
16 minutes ago -- that is there are some flexibilities. But
17 on the other hand, there's clear criteria about economic
18 viability. You know, the administrator needs to certify
19 that any project is economically viable. So that's -- it
20 still remains part of the mix.

21 But that's not to say that maybe there
22 aren't -- there -- there may be some additional
23 flexibilities, in terms of the way things get financed and
24 those kinds of things, and we're certainly open-minded
25 about looking into those.

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2 And then, of course, there needs to be a
3 tighter renewables -- which is the point of what we're all
4 here to discuss, I think. So I think that's -- I think
5 everybody's interested in that, as well.

6 But that's definitely another piece of what we
7 would have to be looking at -- at moving things forward.

8 So I -- that's -- I really probably can't say
9 too much more, and certainly -- and certainly I'm not
10 prepared to say much more. So if I do, I'll probably step
11 on myself, but I wanted to say hi, at least.

12 COM. NEWMAN: No. I -- I appreciate the hi.
13 And I'm not going to ask much more.

14 But -- but in terms of how ready are you to --
15 to -- to be involved in the process? Are you -- are you
16 staffed up? Where are you located? Who are you working
17 with?

18 At the Commission, you know, we'd like to
19 interface -- the Commissioners, I'm sure, would like to
20 interface with you -- at least that's my office's
21 invitation. But you're -- that general thing, are you
22 willing to -- to start interfacing with the Commissioners
23 who have -- or who have a pretty heavy-duty schedule,
24 and -- and we'd like to -- we'd like to see some more
25 solar projects moving forward.

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2 With that in mind, are you willing to commit or
3 are there staff -- is there staff there ready to assist --
4 assist the Commission, to figure out how we can help
5 really, not only Arizona, but the nation, in -- in trying
6 to get this off the ground?

7 MR. MOE: Yeah. Well, I -- I mean we're
8 certainly interested in interfacing with the Commission,
9 and we'd, you know, like to find ways to be able to
10 communicate in the -- in the very near future.

11 I -- I can't say anything, officially, about
12 "TIP," as a Western program, having any particular
13 official stance in terms of relationships with state
14 commissions.

15 But I do recognize, personally, that there are
16 all kinds of issues about federal and state
17 jurisdictions -- many of which have been talked about
18 already here today. And -- and I just think that it makes
19 good sense for us to do what we can, on a -- you know, on
20 a case-by-case bases, to be sure we're working
21 cooperatively and synergistically with folks at the state
22 level.

23 And I mean, I'm certainly pleased that -- it
24 seems like, from the little bit that I've been able to
25 tell so far, that the -- this commission has started a lot

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2 of good work, going down the path, in terms of looking at
3 some of these same issues that TIP is designed for.

4 So I -- I look forward to exploring those
5 synergies, in general, without -- well, being clear that
6 I'm not committing anything in particular, I hope so.

7 So yeah, but except for that, I'm certainly
8 committing to dialogue. I mean, in terms of that piece of
9 it, I think we've -- we're -- we've already had
10 discussions about reaching out to see if -- you know, to
11 make sure that we get communication going.

12 Did that cover -- did I miss any pieces of
13 what --

14 COM. NEWMAN: You -- you got it, and the
15 President would be proud of it.

16 MR. MOE: Okay. Okay. Thank you. Thank you.

17 CHMN. MAYES: And --

18 MS. ORMOND: Thank you, Darrick. You know it's
19 real because it has an acronym of TIP --

20 CHMN. MAYES: Yeah, wow.

21 MS. ORMOND: -- so it must be real.

22 CHMN. MAYES: Good grief. We have a lot of
23 acronyms around here.

24 I want to thank you, very much, for being
25 here. And I hope what you see today is the commitment at

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2 Arizona -- in Arizona to building renewable energy
3 transmission. To not just, you know, planning it,
4 identifying our zones, identifying conceptual lines --
5 which some other states have done as well. But we're --
6 we're committed to -- to paying for it, as well.

7 We have a subcommittee, led by Mr. Wray, that's
8 going to identify ways to -- to pay for renewable energy
9 transmission, and we are very much interested in working
10 with WAPA in a cooperative way.

11 We have these -- these workshops, which --
12 which we hope that -- you're welcome to attend. I know
13 all the Commissioners look forward to talking to you,
14 one-on-one.

15 And you know, I know other states have
16 transmission planning processes, but we think we can
17 actually get stuff built in Arizona, and we think we have
18 a track record of doing that.

19 So if there's -- if there's a place to put a
20 focus, we think it's -- it's here. And -- and so we -- we
21 really do look forward to working with you.

22 And in addition to that, as you know, our
23 utilities have joined together and made a joint proposal
24 to build the Devers -- the old Devers-2 line on the
25 Arizona side, and they've made that application to you.

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2 So thanks for being here, I appreciate it.

3 MR. MOE: Thank you. I -- I appreciate
4 (indiscernible). I'd like to introduce -- let me
5 (indiscernible) Ron Holton has been very (indiscernible).

6 CHMN. MAYES: Great. Thanks -- and thanks,
7 Ron, for being here. Thanks for being here. Okay.

8 MS. ORMOND: If the Chair will indulge, I think
9 we're going to press on, and we're going to have Brad do
10 his presentation.

11 And then we'll break for lunch and come back
12 with questions.

13 So I want you to raise your hand and tell me
14 you're going to be back after lunch. Be back after
15 lunch?

16 All right. There you go. Okay.

17 And Brad's presentation is meant to tee up some
18 of the policy issues that we're going to get into after
19 lunch.

20 MR. ALBERT: Yeah. So I have the cherished
21 position of standing between you and lunch. You want a
22 lunch.

23 So let me see if I can get this -- I can't see
24 it up there very well. If someone can point it out for
25 me, which --

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2 MALE SPEAKER: Second one from the bottom.

3 MR. ALBERT: -- second from the bottom.

4 MALE SPEAKER: That's it.

5 MR. ALBERT: Oh, great. Thank you. That's --
6 okay.

7 So my -- my presentation is I -- I'll call it
8 the warm-up for this -- for this afternoon's discussion.
9 And it's really to talk about a subset of the policy
10 issues that we see and give a little bit of perspective on
11 it, so let me dive right in.

12 This -- this first one is not -- not
13 necessarily a -- a policy position, so much as it is --
14 I'll call it more of a statement of fact and a recognition
15 of -- of the transmission system that we deal with that --

16 You know, we deal with a very highly integrated
17 transmission system. And it's not likely that we're going
18 to see transmission projects that serve only one
19 purpose -- i.e., that are only there to support renewable
20 resources. It's likely that we'll identify projects that
21 can serve multiple -- multiple criteria.

22 A good example of that would be the North
23 Gila #2 project that has already been certificated. You
24 know, and that process started quite a while ago,
25 before -- before this process of renewable transmission

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2 started. We viewed that project as helping us serve our
3 load requirements down in the Yuma area.

4 Well, obviously, a great benefit of the project
5 is it passes through some of the most ideal solar areas
6 in -- in the state. So it's -- it's likely that we'll see
7 projects that provide those kind of robust benefits and
8 not -- not just renewable resource integration.

9 The next thought was -- was sort of proposing a
10 definition that we think is a workable definition of, "How
11 do you go about defining what a renewable transmission
12 project is?" And I think the importance of having a
13 definition is really only as it serves to draw a
14 distinction between that and other transmission projects,
15 and if there are special considerations given to one type
16 of transmission project -- special policy
17 considerations -- versus another type of transmission
18 projects.

19 And there's really two parts to it, the first
20 two sub-bullets.

21 The first one I'll call sort of the
22 interconnection to the grid or accessing the renewable
23 energy zones. Call it -- call it -- that's just sort
24 of -- I'll call it more of a collection function of -- of
25 integrating the renewable resources into the transmission

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2 system.

3 There's another key element to it also, which
4 is moving it -- moving the renewable resources to load,
5 making sure that they serve a useful purpose, and they --
6 I'll call it the difference between interconnecting at
7 some place like Harquahala Junction or the Delaney
8 Substation -- which may or may not solve all of the
9 problem, as the discussion that we had 15 minutes or so
10 ago.

11 You also need -- you may need transmission to
12 actually move that generation to a load center, whether
13 that's going east towards Phoenix, or whether it's going
14 west towards the California load centers. Both of those
15 elements may be required in order to advance renewable
16 resource deployment in Arizona.

17 Okay. A couple thoughts down at the bottom.
18 You know, the world is going to continue to evolve, and we
19 really think that having a sort of up-front, one-time
20 designation of a renewable transmission project makes
21 sense. We can't necessarily control, over the 30 years or
22 more life of a transmission project, exactly how that
23 project is going to be used in the future.

24 And that really speaks to that last bullet item
25 down there -- that FERC obviously has nondiscriminatory,

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2 open-access provisions. And when we build a transmission
3 line, we have to allow anyone that sort of comes up and
4 raises their hand and says, "I want to use that
5 transmission line," and is willing to pay for it, they
6 need to have a -- have an ability, on the same basis as
7 anyone else, to use that transmission line.

8 CHMN. MAYES: But Brad, does the Zephyr
9 decision help that or does that only cover merchant
10 lines?

11 MR. ALBERT: I -- I don't --

12 CHMN. MAYES: In other words --

13 MR. ALBERT: I don't know that the Zephyr --
14 Zephyr drew that distinction, necessarily.

15 Tom?

16 CHMN. MAYES: And if you -- if you can have two
17 anchored tenants covering 50 percent of the line, is
18 that --

19 MR. ALBERT: Well, obviously, an anchored
20 tenant, that's -- that's secure in his position and rights
21 on the line, in a bilateral contract -- by the way that
22 contract is filed, economics redacted, at FERC, so they
23 know the terms -- commercial terms and arrangement.

24 He -- he's indifferent to an open-season
25 competition that may take place and rob him of that

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2 capacity.

3 I was just going to say that -- that Brad's
4 first bullet there, it seems to me, would apply to the
5 degree that in an order we have yet to even talk about in
6 here, that might set aside some special treatment for
7 jurisdictional to this Commission, capital investment in
8 renewable transmission projects -- however they're
9 defined -- that what he's getting at -- and it's a real
10 important point that you -- that you understand -- and
11 that is that that's a one-time designation by the
12 Commission.

13 If you grant an RTP status a line, and then --
14 and the utility proceeds down that -- down that course on
15 the basis that that treatment -- perhaps it involves an
16 elevated return on common equity, for example -- that you
17 don't come back, a subsequent commission doesn't come
18 back -- unless it's some sort of 252 action, okay,
19 otherwise warranted -- and take that away, because of what
20 he's getting at -- and that is an 888 due process
21 interconnector comes along that wants to wheel carbon
22 electrons over that RTP that was designated an RTP
23 10 years ago. And you unwind, by order of this
24 Commission, that previous rate treatment.

25 That's what he's getting at. It's an important

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2 point, you understand.

3 And I'll -- you'll hear a lot more about that
4 from what we're doing in the finance subcommittee.

5 CHMN. MAYES: Okay.

6 MR. ALBERT: And thanks for that comment, Tom.

7 And I -- if I move to the next slide, I can
8 maybe explore it just a little bit deeper -- that, you
9 know, each one of these projects, I'm presuming, you know,
10 the end of October we're going to bring forward some
11 projects for you to consider -- each one of those is going
12 to look different.

13 It's going to have a different set of
14 circumstances, different set of risks, magnitude of costs,
15 dependencies on other type of factors for success. It's
16 going to be a different type of situation.

17 And these incentives are the various tools
18 that -- that the Commission, and we, have available to us
19 to incent that -- that type of development. Some of them
20 listed on the bottom -- but probably not an all-inclusive
21 list.

22 You know, each one of those situations, I
23 think, is going to require some -- a level of discretion,
24 and in deploying the tools to the situation that faces
25 itself. One -- one -- each transmission project probably

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2 will not look the same, and maybe there's an opportunity
3 to sort of dial in the -- the incentives that -- that are
4 needed for each one of them in a -- in a different way.

5 Okay. So let me -- let me keep moving forward,
6 in the interest of time.

7 CHMN. MAYES: But by extensive returns, real
8 quickly, Brad, do you mean elevated ROEs? Is that what
9 that's referred to?

10 MR. ALBERT: Correct; correct.

11 CHMN. MAYES: Okay. Got it.

12 MR. ALBERT: I already moved to the next
13 slide. And I probably don't know how to go backwards
14 anyway.

15 Time -- timing issues, a couple thoughts on
16 that. You know, we -- we talked a little bit in the last
17 workshop about, you know, obviously, it's very much a
18 negative to -- if the transmission project is not there,
19 when it's needed to be there, to support renewable
20 resource development. That's really one of the main
21 purposes that we're talking -- having these workshops and
22 having this process going on.

23 We've got to balance that, also, with the
24 perspective that we don't want to build transmission
25 projects before those first renewable resource projects

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2 are there and ready to use it. So that's sort of the
3 balance that we need to strike here.

4 And a couple thoughts, just to -- just to lead
5 into the -- to the next slide, is that, you know, What are
6 the things that we can do to sort of synchronize and
7 eliminate this chicken-and-egg issue? What are the things
8 that we can do to increase the likelihood of getting
9 projects timed for when they're actually needed for
10 renewable resource development? That -- that's really the
11 question.

12 And a couple thoughts on that in the next -- in
13 the next slide here. You know, there's -- there's steps
14 that we think probably make sense, in terms of
15 synchronizing the development of transmission projects and
16 renewable resource lead times.

17 I think Phil Dion said this morning that a
18 transmission project could take up to 10 years, from sort
19 of inception to when it's placed in service and ready to
20 carry load. And -- and certainly renewable resource
21 projects we've seen, that can be quite -- quite a lot less
22 than that, even three -- three years or less, in terms of
23 development.

24 Are there things that we can do to sync those
25 up, such as initial -- pursuing initial development

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2 steps -- like siting, permitting, going through the
3 application, and receiving a -- a CEC from the Commission,
4 even acquisition of right of way, engineering design, some
5 of those up-front activities -- stopping short, at least
6 in this -- in this example, of actually constructing the
7 line.

8 But what you've done is you've changed the lead
9 time, and now I can make a -- I've made an investment in
10 those up-front activities. It's not -- it's certainly a
11 lot less magnitude than constructing the line, but it's an
12 investment, nonetheless, that helped me get that line
13 flexible enough in the timing, so that I can support
14 the -- the market when the market is ready for it. That's
15 what the whole idea is.

16 COM. NEWMAN: Madame Chair?

17 The -- when Phil mentioned that 10 years thing,
18 I was thinking about the same subject, and I didn't ask
19 him the question.

20 But I -- I need to ask you this question.
21 People just -- I'm sure his 10-year time is accurate when
22 it comes to traditional planning, or -- is that right?

23 MR. ALBERT: And Commissioner Newman, I didn't
24 want to generalize. That's probably sort of on the
25 outside end of things.

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2 COM. NEWMAN: Yeah.

3 MR. ALBERT: I'm sure there's other
4 transmission projects that can be done less than that.
5 But --

6 COM. NEWMAN: But say five to ten years, is
7 it -- is it -- is the traditional method, for lack of a
8 better starting point.

9 And even hearing that in my head, and -- and --
10 and -- and realizing that clocks are ticking and -- and
11 people want to put these projects in the ground and
12 climate-change issues are upon us -- and if you talk to
13 some people, you know, five years is -- is too much, you
14 know -- but I realize that it may take that long.

15 But there are things -- so you're -- you're
16 recommending -- and I'll -- I'd like to see the laundry
17 list of things you're -- that you'd be recommending that
18 the Commission consider doing when it comes to deciding --
19 or whatever it is our internal process is, along with your
20 internal processes -- that should be very much a part of
21 what we're doing now.

22 I mean, I'd like to know the bottom line --
23 what it is that we need to do and all -- all stakeholders
24 need to do to get there. You know, maybe -- it's --
25 it's -- that's not even chicken/egg. That means -- that's

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2 cooperation -- that, you know, of everybody in the room,
3 in good faith, that we -- we know, because it's in
4 everyone's interests to get there.

5 It's also in the investor's interests to get
6 there, to -- to get some of these projects off the
7 ground.

8 So I'd be very, very interested in this
9 subject. And -- and it seems to me that if we got some of
10 the answers to these questions pretty quickly, we'd be
11 ahead of a lot of states who weren't doing it in earnest,
12 or putting roadblocks in the way of doing it for a number
13 of reasons.

14 MR. ALBERT: Yeah.

15 COM. NEWMAN: Now, now -- and we haven't talked
16 today about some -- what the other reasons may be. You
17 know, some people might just want, you know, big nuclear
18 in Arizona -- and not solar. And so they can just say,
19 Well, we don't have to do any of these lines. We can just
20 expand Palo Verde and -- and make us all nuclear.

21 So -- they -- but if we're acting in good
22 faith, I would love to see a short report on exactly what
23 every stakeholder could do, in the best of all possible
24 worlds. And we can argue about whether it's doable or not
25 after that. But that -- I'd love that to be part of this

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2 process.

3 MR. ALBERT: Well, and I -- I -- Commissioner
4 Newman, I think that's exactly what the process is about,
5 is defining what it's going to take to actually make these
6 a reality.

7 And a couple thoughts -- the last two
8 bullets -- a couple thoughts that we had. You know, one
9 of the risks that -- that we face, as utilities, in terms
10 of doing some of that up-front development activity to --
11 to eliminate this chicken-and-egg issue, is the ultimate
12 cost recovery of those expenses. I mean, we're not -- we
13 are talking millions of dollars here.

14 COM. NEWMAN: (Indiscernible.)

15 MR. ALBERT: And -- and you know, those
16 development steps are certainly -- actual construction of
17 the line is dependent in some cases on -- on waiting for
18 the market to appear, and that's an uncertain outcome.

19 And some of these projects that we go forward
20 with, some of these initial development activities may not
21 progress to actually construction. And so what do we do
22 about the ultimate recovery of those up-front costs that
23 have been paid?

24 That's what that bullet is about. So that's
25 one of the issues.

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2 CHMN. MAYES: You know, this is interesting.

3 You know -- and I'm not saying I'm opposed to this. It
4 may -- it may, in fact, be an inducement to -- to your
5 willingness to go out and be aggressive on -- on, you
6 know, renewable transmission planning.

7 But you know, it really seems to me that market
8 creation is a much bigger driver for renewable
9 transmission. And what I mean by that is, you know, where
10 are the PPAs? And which utilities need the PPAs?

11 And the states with the higher renewable energy
12 standards are going to need more renewable energy in the
13 states, with lower renewable energy standards are going to
14 need less.

15 I take note of the fact that Nevada just passed
16 a 25 percent renewable energy standard; California is on
17 the precipice of 33 percent. You know? And I'm proud of
18 our renewable energy standard, but the fact is, it's still
19 only at 15 percent.

20 So I -- I personally believe market creation is
21 much more important to spurring these lines, to -- to
22 creating these lines, than -- and maybe vice versa -- I
23 mean, it's a -- it's -- it runs both ways, than allowing
24 you to develop -- to -- to cover the cost of permitting.

25 And I'm thinking of the fact that APS expended

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2 an awful lot of money, millions of dollars, as I
3 understand it, on the permitting -- the early permitting
4 stages of the now, I think, defunct TransWest Express
5 project.

6 So you went out and did that without any
7 guarantee of cost recovery. Didn't you, Brad?

8 MR. ALBERT: And -- and correct. That is
9 correct. Yeah. And I -- I don't --

10 And Chairman Mayes, I don't know what the exact
11 number, in terms of what the --

12 CHMN. MAYES: It was a lot of money.

13 MR. ALBERT: -- what we spent.

14 CHMN. MAYES: I think you laid out a ton of
15 money on that, but --

16 MR. ALBERT: I -- I can't answer that
17 question. But --

18 CHMN. MAYES: I don't think you got cost
19 recovery, but you went out and did it, because it was a --
20 it was a -- it was a goal of top management to -- to
21 participate in the early stages of that line.

22 I'm not saying that -- that -- that cost
23 recovery of some of these siting and permitting and
24 right-of-way acquisition issues wouldn't be helpful.

25 I'm just -- I'm just suggesting there may be

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2 other things that are more impactful, including higher
3 ROEs -- some of the things, maybe, that Tom's group is
4 looking at and -- and from my standpoint, market
5 creation.

6 MR. ALBERT: Yeah. And -- and Chairman Mayes,
7 I -- I, you know, and we recognize the -- the pull from
8 the West, so to speak, with a 30 percent or contemplating
9 the 30 percent -- 33 percent renewable standard.

10 I -- I wish it was going to be so clear-cut
11 that we would have a very clear -- crystal clear market
12 signal to be able to go forward with complete confidence
13 on the transmission lines. I hope that that occurs. I'm
14 not sure that it will, but that's what we're sort of here
15 about.

16 COM. NEWMAN: Okay. We're here -- we're here
17 in a -- in a public meeting. And I'm going to put you
18 out -- I'm going to put out an a conjecture of
19 25 percent -- not 15 percent in Arizona -- and that
20 somebody should be playing with those numbers.

21 MR. ALBERT: And -- and Commissioner Newman, if
22 that -- if the 25 percent was the clear signal for --

23 COM. NEWMAN: I'm -- I'm sending the signal.
24 (Laughter.)

25 MR. ALBERT: Yeah. Let's -- let's assume that

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2 that's the clear signal that you've provided to me, APS --
3 that certainly makes my situation, in terms of coming east
4 from some of these solar -- if I use to the solar
5 example -- coming east in the transmission that I'm going
6 to need to be able to bring those type of resources back
7 to serve my renewable resource requirements for APS.
8 That's a nice clear signal to me -- fantastic.

9 The other issue is, Do I have the clear signal
10 in terms of the export market and how much that's going to
11 demand from us also?

12 COM. NEWMAN: Well, I already gave my comment
13 this morning that -- that regardless of what's going on
14 with Devers, I think that they're playing some kabuki game
15 with us, that they won't need export renewables coming out
16 of this state either.

17 So my double signal to you is that -- and
18 every -- and all our energy companies, is that we need to
19 do something about this. We need to be looking at export
20 and import markets.

21 Again, 25 is the signal.

22 And you know, when I was first running for this
23 job, I wouldn't commit to any such number. But after
24 seeing what's going on in surrounding states and what --
25 and knowing what's going on at the national level, with --

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2 with this regard, I can't -- I don't have a ball for --
3 for Washington, but I'm even hearing such numbers being
4 bandied about in Washington.

5 But I'm telling you clear signal, if -- if I
6 had my druthers -- 25. And I think that's soon to become
7 a reality.

8 MR. ALBERT: Um-hmm. So just -- just to finish
9 this slide, down -- down at the bottom, in terms of a --
10 (Laughter.)

11 CHMN. MAYES: After he gasps for breath, he'll
12 finish the slide.

13 MR. ALBERT: A couple other thoughts, in terms
14 of the permitting process in the CEC. And this was
15 alluded to a little bit this morning, in terms of allowing
16 for a more general description of need -- i.e., being able
17 to permit a line when it's just a general description of,
18 We're going to seek renewables in this renewable resource
19 area, because we have a good indication that it's a
20 strong -- strong renewable resource area.

21 And then time frames, providing flexibility
22 before you -- you receive a CEC, a permit.

23 And then how long do you have -- how long can
24 you keep it flexible before you need to start
25 construction? That was another thought that we had.

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2 This is -- this probably duplicates a little
3 bit of a discussion that -- that we had with Tom Wray just
4 a couple of minutes ago, that, you know, underlying all of
5 this sort of -- this necessary infrastructure development
6 is the long-term resource commitments that utilities are
7 making. And I'm not just referring to Arizona utilities.
8 I'm referring to California or -- or other out-of-state
9 utilities.

10 That's what's really driving the ability of
11 this transmission to get built, either -- either through
12 long-term PPA-type commitments that utilities are making
13 with resource developers, that then allows the resource
14 developer to have enter -- or -- or the utility to, you
15 know, go and finance, and go build the transmission that's
16 needed, or transmission service agreements, or
17 participation and merchant projects -- again, driven by
18 the utilities and the utilities' need for making
19 commitments for the renewable resources they need.

20 So -- and -- and again, the successful
21 outcome -- reiterating what Tom said -- all depends on
22 upon the -- the strength of the cost recovery and the
23 utilities staying in a position -- not -- not just APS,
24 but utilities staying in a position to make the long-term
25 resource commitments that are going to be needed to sort

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2 of get the financing and -- and back it all, to -- to
3 actually get this transmission built.

4 So -- so cost recovery -- so -- so you --
5 it's -- it's sort of a two -- two-sided issue here that,
6 you know, we continue to -- to do what we need to do to
7 meet our native load resource and transmission
8 requirements.

9 And so that's pretty much the status quo way of
10 going -- going about doing things, and entering into
11 agreements like Solana and Starwood, and going about
12 building and permitting the necessary transmission to
13 support that -- some of that transmission being -- being
14 the stuff that's come before the Commission recently,
15 that's going to help us import that -- that solar resource
16 into the load center.

17 And what I'm proposing -- or what I'm trying to
18 get across here -- is just sort of what's going to be
19 needed to facilitate the development of -- of renewable
20 transmission beyond that status quo.

21 And the first one I'm really referring to is
22 sort of the value proposition or business case associated
23 with each renewable transmission project. And I think Tom
24 used the word "balance." How do we achieve this balance
25 between incenting these infrastructure projects, and

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2 balancing that against the cost recovery burden that we
3 could be placing on the retail customers here?

4 That's going to be, at least in my judgment,
5 sort of this case-by-case consideration that we need to
6 make, based upon the facts and the business case
7 associated with each one of these renewable transmission
8 projects.

9 Okay. And -- and one last slide. And then
10 it's lunchtime, I guess.

11 I guess that, you know, a very positive thing
12 that we have going for us here in Arizona is that we have
13 this established BTA process that we've had going for a
14 number of cycles now. It provides us with a -- I think a
15 good foundation to build upon as we go forward in the
16 consideration of renewable transmission projects.

17 I don't view this as a one-shot-and-done type
18 deal. This is something that's going to continue to
19 evolve as time goes on. And having the BTA process there
20 that we can append or -- or also consider this renewable
21 resource need, on an ongoing basis and adjust as market
22 conditions change and whatnot over time, I think is a good
23 thing. It's a success -- it's a good foundation to build
24 upon.

25 So I think that was it for my comments. So I'd

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2 be happy to take questions now.

3 CHMN. MAYES: Can -- could you go back to
4 Slide 6 and the bullet point that states -- that talks
5 about the CEC permitting process and the flexibility and
6 the -- what you call -- you call for allowing a more
7 general description of need.

8 Is it your view that we should expand our --
9 our assessment of need beyond the need of a specific
10 utility and -- or do you believe that need assessment
11 should be made as -- that there should be some -- some
12 factor included in our assessment that addresses regional
13 need or needs outside of the state?

14 Which is, I -- I know, a very -- a
15 heavily-freighted question, but I guess --

16 MR. ALBERT: Yeah. I --

17 CHMN. MAYES: -- I'm trying to understand how
18 you want -- would like us to broaden that definition of
19 "need."

20 MR. ALBERT: Yeah. And I -- I certainly, we --
21 we certainly think, Chairman Mayes, that there needs to be
22 a more general definition that you -- you know, when you
23 enter into this process of identifying a transmission line
24 that can further the development of renewable resources in
25 Arizona, you may not be able -- we may not be able to

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2 accurately identify any specific projects, necessarily, or
3 the markets that they're intended to serve at that time.

4 CHMN. MAYES: Well, that goes back to my point
5 about market creation, and I think Commissioner Newman's
6 point about the renewable energy standard, and mine as
7 well.

8 I mean, I've been talking for a number of
9 months now -- six months or more -- about -- about
10 increasing the renewable energy standard. I'm not sure
11 exactly what the -- the best number is. I think that's
12 something that we'll -- that I hope this Commission will
13 look at and -- and come to a fair conclusion on.

14 But wouldn't -- isn't that description -- isn't
15 that definition of "need" heavily dependent on what your
16 requirements are?

17 MR. ALBERT: Sure. And I think the key policy
18 question is -- is, Do -- do -- are we looking beyond the
19 state, in terms of the import versus export market? How
20 big of a need are we going to look at, in terms of the --
21 the size or the amount of transmission that needs to get
22 sited and built to serve that need?

23 It's a key policy question here.

24 CHMN. MAYES: Yes.

25 MR. ALBERT: I think that's one of the

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2 questions that we've got teed up for this afternoon's
3 discussion also.

4 CHMN. MAYES: Okay. Great.

5 MALE SPEAKER: Madame Chairman?

6 CHMN. MAYES: Yes.

7 MALE SPEAKER: If I could add, it's almost like
8 you have to go back over an old road map that you -- some
9 of -- some of you -- even before you were Commissioners
10 may have read about or -- or remember.

11 And that is to the -- the question that's
12 fundamental to ratemaking is -- for example, is -- is
13 reserve -- are reserve margins used and useful? Are
14 reserve margins a prudent investment? Should the cost of
15 maintaining a reserve margin, whether it's going to
16 generator -- a generation group or -- at the generation
17 level in transmission -- is that used and useful?

18 To -- to Brad's point here, I think what --
19 what may be -- and what he might be saying -- is that in
20 the -- in the context of establishing need, which
21 depending on how you think about it and how you think
22 about 40-360, I'm not sure if that's really in the charge
23 of the siting committee in the first place.

24 But if you believe it is -- and you're not
25 simply assuming that need exists on a presumptive basis,

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2 and looking at the environmental impacts of the proposed
3 action, which is clearly in the statutes -- and you do the
4 need balancing here -- if you want to incent, from a need
5 standpoint, transmission, so that what you don't get out
6 of the Harquahala Plains are a bunch of requests for
7 generator ties, and no system to connect to -- which is
8 what you're trying to avoid here, I think -- then you're
9 going to have to have a finding at a policy level on this
10 Commission that says that increasing transmission capacity
11 to incentivise the occurrence of renewable generation is
12 in the public interest and is prudent.

13 If you find -- if you find that it's prudent,
14 then it makes a -- it becomes a candidate for cost
15 recovery. And so the policy -- the policy level is at
16 that finding of prudence.

17 And I would suggest that that's a
18 constitutional responsibility that you all have as
19 constitutional officers, and not at -- at the statutory
20 creature level of the siting committee.

21 CHMN. MAYES: Well, that's an interesting legal
22 debate.

23 But you know, just to -- I want to -- and then
24 I know we probably want to take off for lunch -- but just
25 thinking about the lines that are out there -- let's talk

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2 about North Gila #2.

3 We've already certificated it. There's a
4 cluster along North Gila #2. Clearly there's one project
5 near Dateland that's already been announced, and we're not
6 getting any of that energy because our utilities, frankly,
7 don't need it. We don't have the market for it, because
8 our standard is too modest.

9 I -- I don't know that the utility is in
10 California, that's going to be the off-taker of that
11 project, has been announced yet, but it's obviously a
12 California utility --

13 MALE SPEAKER: Um-hmm.

14 CHMN. MAYES: -- because they need it. And so,
15 you know, this is important. You know, and I -- I think
16 it's important for the Commission to grapple with this
17 because we're -- we've got to figure out the degree to
18 which we're willing to incentivise transmission lines that
19 will be used for exports to states with higher standards.

20 And how much do we want to make sure that --
21 that Arizona consumers benefit from that, from that
22 energy?

23 I mean, I love the -- you know, I love the fact
24 that the Dateland project is -- is potentially out there.
25 The people in Dateland are incredibly enthusiastic about

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2 that project; they love it. But we're not going to get
3 any of that energy.

4 So I think it's an important issue as we -- as
5 we discuss this.

6 Commissioner Newman?

7 COM. NEWMAN: Madame Chairman, back to the
8 cap-and-trade issue, and the -- the huge magnitude of the
9 decisions that we're going to have to make regarding
10 weaning ourselves off of -- of coal, eventually. If it's
11 not cost effective -- or just having some time line about
12 that -- you know, my -- my records were -- we're spending
13 billions -- billions and billions and billions of dollars
14 trucking in coal from other places, paying the railroads,
15 and -- and the ratepayers are paying for all of this.

16 When does it get to a point for the Commission
17 having to order the -- the utility companies, saying,
18 Listen, I don't want you spending all of that money on
19 mining coal in -- in other states that get the benefit of
20 that and spending all of this money transporting it, and
21 then also the macro effects on asthma and the
22 environmental impacts of all that.

23 When does it get to a point for this Commission
24 to say, you know, You guys have got to use this power
25 internally and export it, because that's -- that's how you

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2 create an industry? Do you -- you know -- and that's what
3 my position is.

4 My position is, I want to wean us off of having
5 to spend all of this money out -- out of state, that the
6 ratepayers are paying for. And I want you, by the way, to
7 help us with climate change; and by the way, I want to
8 make sure that we have a -- a -- a -- I can't find the
9 word -- but a healthy import and export market for this
10 new industry.

11 I want us to be the place where they're putting
12 solar for the whole country. Just go with it. Trust it.

13 MALE SPEAKER: And Commissioner Newman, I
14 think, you know, as other states -- and you know, the
15 resource planning processes that other states have in
16 place, and that we are in the process of getting activated
17 here, those are exactly the type of questions, policy
18 questions and sort of portfolio questions that are
19 typically addressed in the resource planning forums.

20 COM. NEWMAN: But you're a leader for your
21 company. And you should know that this Commission is
22 going in the direction of wanting to renew -- wanting to
23 increase the renewable energy standards. You should know
24 that three of the people -- two of them got elected --
25 Sandra and I -- said that we want to wean ourselves off of

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2 the -- the coal and all of these excess costs.

3 You should be taking notice of this as a
4 company, because we're getting very close to making policy
5 changes that we -- we really would like to see the solar
6 industry blossom here --

7 MALE SPEAKER: You know --

8 COM. NEWMAN: -- not -- not burn out like a
9 prune in Dateland.

10 MALE SPEAKER: Yeah. Again, very -- very duly
11 noted, at least from the APS perspective.

12 CHMN. MAYES: Well, why don't --
13 (indiscernible) aspersions on the prunes in Dateland.

14 But -- but anyway, I -- I -- you know, it's --
15 it's a fascinating question. I appreciate the -- the --
16 this morning's presentations.

17 I apologize for being late this morning. I was
18 talking about renewable energy transmission with the
19 Arizona Mexico Commission, and they're interested in this
20 issue, as well.

21 And so we'll come back, Amanda, and you'll pick
22 it up after lunch?

23 MS. ORMOND: Let's -- let's come back from
24 lunch at 2:15.

25 We do have a whole bunch of questions, many of

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2 which that we touched on, that we want to tee up and try
3 to get a little deeper into.

4 So we'll come back at 2:15.

5 (Recess taken for lunch.)

6 MR. RASMUSSEN: It's a -- that -- that's a key
7 component for a developer such as BrightSource, on making
8 business decisions.

9 Boy, I'd have to go and -- and refer to the
10 reports that we've done our internal analysis and the
11 consulting reports on. It's not just wheeling and -- and
12 scheduling and balancing charges. It's tax rates and --
13 and other incentives.

14 But for -- the easiest thing to point to are --
15 and there's a line that is, you know, part of the
16 Cal ISO -- whether it's a -- in California or outside of
17 California -- if you connect directly to that line, those
18 charges aren't going to be nearly as much as one where
19 then you have to get firm transmission, and you have to
20 get a balancing for the intermittent resource that we
21 are. You know, if there's a way to, on a regulatory
22 basis, allow for some compensation for those
23 requirements.

24 CHMN. MAYES: If I could, Brian, could I ask a
25 question of BrightSource?

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2 I -- I guess my question is, is there -- and I
3 suppose the unstated comparison is between Arizona and
4 Nevada -- but I think there are certain obvious obstacles
5 in Nevada, including that they have tremendous water
6 supply constraints related to projects.

7 As I understand it, an area called Devil's Hole
8 was put off limits, and an area around Devil's Hole was
9 put off limits to solar development.

10 Nevada also has some very significant, as you
11 know, union workforce requirements; the unions are heavily
12 involved there. Arizona is a right-to-work state; we
13 don't have the same, you know, labor costs; and our
14 permitting process, I think, is, you know, unparalleled in
15 this nation, in terms of the ease with which, you know,
16 the -- the -- the efficiency of our permitting process.

17 So you've looked at a project in Arizona,
18 compared it to a project in Nevada, and you think it's
19 cheaper in Nevada?

20 And then in addition, as I understand it, you
21 don't have the transmission out of Nevada that -- that --
22 you know, I mean, you -- unless you do. I mean, I didn't
23 think -- I didn't think you had achieved that transmission
24 yet.

25 MR. RASMUSSEN: We hadn't. And the same in

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2 Arizona. We haven't achieved that transmission.

3 And I'll say we are looking at projects in
4 Arizona and Nevada and California. And as you know, it's
5 a moving target in each of those states, as -- as politics
6 get played and transmission policies are being formed
7 and -- and changing.

8 So I won't say that, carte blanche, Nevada
9 looks better than Arizona. I will say, carte blanche,
10 that if we could build in California, it would be a lot
11 cheaper than elsewhere.

12 We don't believe schedule-wise we can do it
13 and -- and political-wise, with the lack of land due to
14 certain things happening, that that is the case.

15 And so I'm saying that Arizona has an
16 opportunity to really incentivise other people to come
17 here as a no-brainer. And there are certain economic
18 indicators that, right now, it's not a no-brainer.

19 There's a lot of analysis that needs to go into
20 it, and developers look at their contractual on-line dates
21 that they have to meet, and the ability to meet those
22 through building your own transmission or waiting for the
23 utilities to build transmission, and those -- those labor
24 rates -- everything you mentioned are -- go in -- go into
25 play on that.

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2 And so Arizona is obviously an area of emphasis
3 for us. And my only point in saying that was that you
4 have an opportunity here to make it for -- a no-brainer
5 for us, by certain of changes in --

6 CHMN. MAYES: Well, and -- and I guess are you
7 asking -- can you suggesting that the Commission take a
8 more favorable view of Cal ISO control of our power
9 lines? Because I don't see that happening if that's what
10 you're suggesting.

11 MR. RASMUSSEN: I -- I'm suggesting that I'm
12 not a transmission expert, and I know that what costs
13 happen within the Cal ISO and what costs happen without
14 it.

15 So I don't know if there is a nontraditional
16 way to look at transmission and operational control of
17 exporting power or importing power or -- I'm not a utility
18 and I don't understand the -- the boundary issues on -- on
19 operational control.

20 So I'm just saying, from a developer's side,
21 who is not a transmission expert, I don't know if there's
22 a way, but if there is a way to look at a nontraditional
23 view of those boundaries -- or even on a regional basis
24 on -- as we talked earlier about the pancaking of rates.

25 This isn't pancaking of rates, but it -- it

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2 is -- for bringing power or exporting power, it's a much
3 greater cost for someone to export into a market than it
4 is to -- to live -- to be in the market and deliver it
5 there.

6 CHMN. MAYES: Okay.

7 MALE SPEAKER: I just -- I thought there was an
8 important point that you raised, Brian, that I wanted to
9 follow up on and make sure I understood correctly.

10 And -- and I think what I heard you say is --
11 is from a developer perspective in looking at Arizona, and
12 you know, let's -- you know, let's just call it the
13 Devers' corridor, because there's a lot of development
14 activity along that corridor.

15 And I thought I heard you say that you would
16 look unfavorably upon a model -- let's say I was to build
17 a transmission line out there and that it inter -- that it
18 interconnected into the California ISO grid on the
19 California side of the border, so that -- so that in order
20 for you to use that and fulfill your contracts that you
21 have with California, that you had to purchase wheeling
22 service from me -- transmission service in order to get to
23 the ISO delivery point and fulfill your contract -- that
24 that would be sort of a strike against Arizona, from a
25 developer's viewpoint, because what you're really looking

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2 for is -- is to develop someplace where you can inject or
3 just interconnect directly to a Cal ISO facility and then
4 you don't have to pay for that transmission service.

5 Is that sort of the point -- one of the points
6 that you made?

7 MR. RASMUSSEN: That touches on it. I mean,
8 it's not just it's -- we -- we look at it, obviously, from
9 transmission charges on anywhere we're going to
10 interconnect outside of the state. That combined with the
11 cost of the balancing, in order to deliver the power to
12 Cal ISO in a form that is acceptable to them
13 (indiscernible) we have there, who is going to do the
14 scheduling for that power.

15 MALE SPEAKER: Um-hmm.

16 MR. RASMUSSEN: So it's not just one item. And
17 it's not just we have that same issue in Nevada. And so
18 we take a view on our capability of performing those
19 services -- where services -- and delivering the power to
20 California.

21 So you -- that is certainly an aspect, but I
22 don't know that it's a strike against that. It's a cost.

23 MALE SPEAKER: Yeah.

24 MR. RASMUSSEN: Right.

25 MALE SPEAKER: That -- that's a better way of

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2 saying it, and -- and certainly it's a comparative.

3 You've -- you've got to compare all the
4 different places where you -- you have capability or that
5 you think you can put a project down and what the all end
6 costs of it are.

7 MR. RASMUSSEN: Right. And the point of my
8 making the comment was that Arizona has an opportunity to
9 make it a no-brainer, make it obviously better than
10 Nevada, or obviously better than trying to spend five to
11 seven years permitting and building in California on land
12 (indiscernible).

13 And so that's my hope that there can be an
14 outside-of-the-typical-box discussion on how to meet that,
15 and -- and as I had mentioned earlier, a regional aspect
16 to that.

17 CHMN. MAYES: Well, I mean, I think what --
18 what's -- it strikes me that what's being argued here is
19 that we ought to allow Cal ISO control inside of Arizona.
20 And it may be a no-brainer for California, it's just not a
21 no-brainer for Arizona, you know?

22 And -- and you know, you get pan -- you know,
23 Californians get pancaked in your --in that scenario. We
24 get pancaked in the scenario where Cal ISO comes into
25 Arizona.

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2 So -- and that was one of the big problems with
3 Devers, as I understood it -- our utilities objected to
4 some of the potential pancaking of rates that could have
5 occurred, if Cal ISO had controlled that line, in addition
6 to our not-always-positive experience with Cal ISO in the
7 past, in general, with their control on several lines
8 inside of Arizona.

9 MALE SPEAKER: And I don't mean to take issue
10 with you.

11 I just understood his, not necessarily from the
12 Cal ISO control area -- and your characterization of it
13 from the utility perspective of it is right on.

14 But I thought where he was leading with that
15 was a model where Arizona invested in that export
16 infrastructure and allowed developers to use it without
17 having to pay a transmission service fee, i.e. to pay for
18 the line -- which is -- which is sort of different than
19 the Tehachapi model that we talked about earlier this
20 morning, where -- where sort of that up-front investment
21 was made -- and we used the term "socialized" -- I don't
22 know what the better term is -- but the up-front
23 investment was made and sort of carried by the overall
24 Cal ISO customer base. But when individual developers
25 come on and want to connect to it, they've got to pay sort

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2 of a share of that and help pay the line, the investment
3 in the line.

4 CHMN. MAYES: Okay.

5 COM. NEWMAN: Yeah. I -- I didn't get all of
6 your comments, but I tend to agree with what he's saying.

7 I mean, there -- there is an equitable -- there
8 needs to be an equitable, fair way of doing it.

9 We -- we -- it seems to me it's hard for
10 commissioners, who are sort of elected officials and have
11 so many competing interests -- but if we're going to sell
12 this new system, and we want to do it as soon as possible,
13 we -- we want to think out of the box.

14 But we can't necessarily give solar
15 concentrator facilities, bill and dollar investments, free
16 rides to -- to -- on the transmission. It's -- that's a
17 hard political sell. And -- and I think not feasible.

18 MR. RASMUSSEN: Yeah. And I -- and I don't
19 remember saying "free ride."

20 I'm just saying, for comparison purposes, by no
21 means am I saying that as a developer we expect to get a
22 free ride. We expect to pay the transmission and the
23 equitable portion of the cost of that transmission.

24 In California -- and we have some strange
25 laws -- there are policies that may be changing also, but

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2 some of them state that you pay for that cost up front and
3 bill the -- pay for that on a transmission line upgrade
4 and recover hundreds of millions of dollars.

5 And so we're having the same conversation there
6 that we're having here.

7 As it is, we all understand that it doesn't
8 work perfectly, but at the same time we have an
9 opportunity, as we've discussed, in this regional and
10 national environment to look at it.

11 COM. NEWMAN: And -- and I look forward to any
12 suggestions that you have in a more equitable area. I --
13 I -- but I hear your point.

14 Madame Chair, I just want to ask one question.

15 I came in from lunch and I thought about this.

16 Is there anyone -- I know that we don't
17 directly regulate Salt River Project, but they're a major
18 player in Arizona. And I was just curious, is there
19 anyone here from SRP, who are --

20 FEMALE SPEAKER: Yes, there are.

21 MALE SPEAKER: There are.

22 COM. NEWMAN: Okay. Okay.

23 FEMALE SPEAKER: Commissioner Newman, I'm
24 Laurel Whistler, with Salt River Project. And I'm here as
25 a -- a very poor substitute for Rob Kondziolka, who could

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2 not be here.

3 So I'm going to try to answer any questions
4 that you have concerning SRP.

5 COM. NEWMAN: Yeah. Well, I -- since you're
6 here -- you're here, I just wanted to get your take on it,
7 from your perspective, publicly, just so I know and
8 everybody in the room knows -- hear what, you know what
9 our dilemmas are.

10 I think the gentleman's right. We're trying to
11 think outside the box, the best possible way. You don't
12 have the same renewable energy standards and it may
13 actually end up quite a big -- big disparity if -- if the
14 ACC changes it's renewable energy standard to a higher
15 standard, you'll have less of a standard.

16 I don't know what you'll do or your board of
17 directors will do.

18 MS. WHISLER: I don't believe I can talk for my
19 board of directors either.

20 COM. NEWMAN: I understand.

21 MS. WHISLER: I don't think that APS could talk
22 for you, for instance.

23 COM. NEWMAN: But -- but what is SRP's
24 perspective on thinking outside of the box in trying to
25 grow renewables?

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2 You are stuck with the same dynamic of cap and
3 trade, potentially increasing your -- the -- your
4 ratepayers' costs.

5 So what is your company's intention on building
6 transmission lines and working with the players in this
7 room and -- and -- and the state -- and the state of
8 Arizona, to upgrade transmission, to help Arizona grow its
9 solar industry?

10 MS. WHISLER: Commissioner, Salt River Project
11 is -- is a public -- a public power entity.

12 We do our best to make the best mix of
13 resources, most economical and reliable resources for our
14 customers. We do know that our customers are interested
15 in renewable energy. We will -- we will abide by the
16 renewable energy standard that our board sets.

17 Now, what that will be -- I -- I'm assuming,
18 first of all, not only what our board sets, but if
19 Congress sets a renewable energy -- or electricity
20 portfolio standard, we will be subject to that, of
21 course.

22 Salt River Project also has a very long history
23 of participating in transmission planning and development
24 and ownership, in conjunction with the investor-owned and
25 other rural utility -- cooperative utilities in the state

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2 of Arizona and outside of the state of Arizona.

3 So we are at the table. We're very active in
4 the RTTF process. And we are here today.

5 And -- but underlying all, we -- we do our best
6 to make the best mix of resources for our customers. But
7 we are at the table and we are a big participant in the
8 transmission process, and in transmission ownership, and
9 have been historically. That will not change.

10 COM. NEWMAN: Okay. And -- and how do you
11 suggest -- how do you suggest that Chairwoman Mayes,
12 myself, and the other commissioners, and this task force,
13 perhaps -- how do we utilize the best of -- of -- of what
14 you have, your resources? You know, what can we do
15 cooperatively? Are you --

16 MS. WHISLER: Well, we are --

17 COM. NEWMAN: -- do you have conversations with
18 APS about these same issues?

19 MS. WHISLER: Absolutely.

20 COM. NEWMAN: Okay.

21 MS. WHISLER: We -- we have very good
22 relationships with all the other transmission owners and
23 providers in the state, and with the -- with the Western
24 Area Power Administration.

25 We are a leader in transmission planning, and

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2 you know, we will be at the table, always, and
3 contributing. But we do operate under different rules
4 than -- than the utilities that are under your
5 jurisdiction.

6 COM. NEWMAN: And I don't know if I could ask
7 you this, but this is the last question.

8 Are you looking at -- I've been trying to make
9 it clear this morning that I think it's a matter of -- of
10 great state interest and national interest that Arizona,
11 being a very furtive (sic) place to -- to grow solar
12 energy, if you will, that we should be looking at import
13 and export markets.

14 Does SRP agree?

15 MS. WHISLER: I don't know what the SRP board
16 thinks about development of the solar energy industry in
17 Arizona for export. I really can't speak for them.

18 However, I can say that SRP supports lines that
19 would support both import and export, as long as we can
20 show -- and we would participate in them, as long as we
21 can show benefit to our customers.

22 COM. NEWMAN: Again -- and --

23 MS. WHISLER: There's no hard-and-fast rule
24 that we would say we wouldn't participate in anything that
25 would allow for export.

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2 And I think it goes to the point that Mr. Getts
3 made, that all transmission lines, especially if they're
4 well-interconnected, allow for trade, both import and
5 export.

6 And we also look for opportunities to put
7 together the best mix of resources, which means buying and
8 selling, as it benefits our customers on a -- you know, on
9 a more temporal basis.

10 So there's nothing, that I know of, about SRP,
11 that would say we would not support a line that would
12 allow for export.

13 COM. NEWMAN: Thank you. Thanks for being
14 here, most -- most emphatically.

15 MS. WHISLER: Well, I'm just thrilled.

16 (Laughter.)

17 MS. WHISLER: Given Rob -- Rob's inability to
18 be here, I was -- I was just thrilled to be asked.

19 (Laughter.)

20 MALE SPEAKER: Your companion did you well.

21 (Laughter.)

22 MS. WHISLER: Can I turn that off?

23 MR. BAAK: My name is Jim Baak. I work with
24 the Vote Solar Initiative, and we're a nonprofit advocacy
25 group promoting solar policy throughout the country.

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2 And I wanted to speak to Commissioner Mayes'
3 point on the difference between Nevada and Arizona, with
4 respect to, particularly, exports.

5 Having been intimately involved in the
6 legislative session that just recently concluded in
7 Nevada, where we fought a long, hard battle to try and get
8 tax incentives -- a successful battle, I should say -- tax
9 incentives abatements for large-scale renewable
10 development, the dialogue in Nevada regarding exports is
11 very different and -- and I'm very pleased to hear a lot
12 of the dialogue here in Arizona about exports, because in
13 Arizona here you've got a tremendous potential.

14 Nevada has a tremendous potential, but the --
15 the dialogue throughout the legislative session there was
16 anti-exports. They didn't actually want to engage in
17 exporting energy.

18 There are a number of issues there, with
19 respect to, as Commissioner Mayes mentioned, water rights
20 access. But there's -- there's kind of a general feeling
21 that we -- the folks in Nevada don't want to be exporting
22 their power to California. They want to be able to use
23 that and develop that resource for themselves.

24 So it's -- it's refreshing to see. But I think
25 that that presents a unique opportunity for Arizona to

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2 take advantage of the tremendous resources. We're seeing
3 that if California goes up to a 33 percent RPS, we think a
4 realistic potential for the demand for renewables from
5 Arizona is around 5,000 megawatts.

6 The question is, How are we going to get the
7 transmission to get that 5,000 megawatts into California
8 and over what period of time?

9 But I think that kind of going back to the
10 Cal ISO issue, I think this kind of presents an
11 opportunity, as well -- because Nevada, if they do decide
12 and -- and I know the PUC in Nevada is -- is talking about
13 exports, if they do decide to export, they're going to
14 face the same issues with respect to dealing with Cal ISO
15 that Arizona has.

16 And frankly, there's a lot of folks within
17 California, if you ask anyone from LEDWP or SMUD or any of
18 the municipal utilities -- they're not big fans of
19 Cal ISO.

20 So I think this, along with the federal
21 dialogue that's going on, on transmission, presents an
22 opportunity to bring Cal ISO to the table with FERC, with
23 the ACC, with the Nevada PUC, and the CPUC -- to open the
24 dialogue on how they're structuring their rates, how they
25 actually -- their policies around dispatching powers of --

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2 of, you know, anything that connects into the Cal ISO.

3 So I think that's something we need to keep in
4 mind and maybe we need to see if that's an opportunity
5 that we can utilize to open up the discussion for this --
6 for this export with Cal ISO, because I know that's going
7 to be a big issue -- not just for Arizona, but I think
8 Arizona has the most at stake in this road.

9 MS. ORMOND: So if there's no other tag on
10 comments, I want to try to get a little more specific.

11 So we just had this dialogue about Arizona
12 needs to do some things. I think part of what you brought
13 up is legislative in our state, some of the -- some of the
14 tax policies, legislative, not Corporation Commission.

15 So what do Arizona utilities specifically need
16 to do? Does anybody want to jump on that?

17 Or what should the ACC specifically do?

18 COM. NEWMAN: Oh, come on.

19 (Laughter.)

20 MS. ORMOND: We can all go home. No.

21 Okay. And -- and these aren't simple
22 questions, so not surprising.

23 MALE SPEAKER: I'm very happy to be here.

24 Thank you.

25 CHMN. MAYES: Well, I think -- I mean these --

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2 well, I guess this goes to -- I guess it goes to the
3 export issue, specifically, but a lot of these issues were
4 touched on this morning.

5 MS. ORMOND: Um-hmm. They were.

6 CHMN. MAYES: I mean, certainly, I -- I -- if
7 we go the back to the presentations that were made this
8 morning, it seems like the utilities have put forward some
9 ideas and --

10 MS. ORMOND: Yeah.

11 CHMN. MAYES: -- and that would be interesting
12 to -- in hearing whether others had anything to say about
13 that.

14 And one -- one interesting -- one -- one issue
15 that -- that I think we -- I don't know if we touched on
16 it this morning -- but that's -- and that's land-use
17 policy -- the degree to which we will have potential
18 litigation regarding some of these projects, you know,
19 what is -- what's going on with the BLM, what their
20 process is.

21 I know they're -- they -- the Department of
22 Interior is very interested in -- in -- in funding the BLM
23 field offices.

24 There's -- as I understand it, from being at a
25 WREZ conference meeting in San Francisco, Steve Black,

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2 from the Department of Interior, said they are going to
3 set aside additional money for a field office and four
4 people here in Arizona to process the 37 to
5 40 applications that BLM has in front of it.

6 You know, those types of issues, I think, are
7 out there, as well.

8 MS. ORMOND: And -- and we have other
9 questions, so we'll just keep moving on.

10 If you guys have additional comments on some of
11 what the utilities proposed, I'm sure they would love to
12 hear it.

13 MR. SMITH: Jerry Smith, KR Saline.

14 If we could have Slide 6 of Brad's last
15 presentation, because I -- I think that slide answers the
16 question about what the ACC might could do and what the
17 utilities might do.

18 CHMN. MAYES: Yep.

19 MR. SMITH: Yes. That's -- that's the one.

20 The first part, in terms of what the utilities
21 and the Commission might do, is answered in the first
22 bullet, in terms of the advance processing of connections
23 for (indiscernible) lines that would ultimately provide
24 renewable potential development opportunities.

25 There's a cost to that. And what this slide

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2 suggests is there needs to be a way to recover the costs
3 of that advance processing of planning and siting of those
4 type of transmission lines.

5 So this is sort of a joint action, the
6 utilities and the Commission coming to an agreement that
7 this family of transmission lines have sufficient benefit
8 to accomplish both import for our markets, as well as
9 export opportunities.

10 And you move forward to site them, so they're
11 ready to move as you have projects actually occur,
12 proposing to use the facilities.

13 What it's doing is it's placing a commitment on
14 the front end, before those projects reach the
15 interconnection queue process. And frankly, that's what's
16 been missing, because right now everything is being driven
17 by what comes in the interconnection queue process. So I
18 see this as a very positive step to be taken.

19 I think the challenge that it faces is the last
20 bullet, in terms of, How do you find the need, in a more
21 broad context, for these facilities?

22 What I want to also highlight is this doesn't
23 solve the other piece of the problem that we heard from
24 San Diego Gas and Electric, and that is the desire for the
25 developing projects to simply interconnect and make use of

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2 the network that is there.

3 I'm going to tell you a rule of thumb I've come
4 to understand just recently, and it happens to reinforce
5 some routes of some possessions that I took back in the --
6 a decade ago, as we were going through some siting
7 processes at the Palo Verde hub for some gas-fired
8 plants.

9 Back then it was defined as these plants need
10 two lines to be able to connect to the grid in a reliable
11 fashion. I'm going to revise that just a little bit.

12 Here's the rule of thumb: For every 1,000
13 megawatts of generation -- I don't care what type of
14 technology -- for every 1,000 megawatts that you
15 interconnect, you needed to plan on at least one 500kV
16 line of network reinforcement, because the capacity that
17 was there in reserve in the past is gone.

18 Now, if you're going to do that, if that rule
19 of thumb is valid, why wouldn't you assume that that new
20 line to reinforce the network comes out of that same plant
21 and goes to another point in the system to provide
22 redundancy service for the plant as well? It's a win-win
23 for the network, as well as for the plant.

24 Now, that brings a whole different perspective
25 to how do we engage in the interface between the

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2 developing plants and the network? But I think the end
3 result is exactly what we're coming to through the
4 interconnection queue process, which is, if you don't want
5 to be at risk, you need to plan on having a network
6 reinforcement to assure that your project can be delivered
7 to the market -- which was the original question a decade
8 ago, about how do you get your project to market?

9 MS. ORMOND: You killed all the discussion.
10 Good job.

11 Let's go on to the next question, if there's no
12 other comments.

13 And Jerry, I do appreciate your comments. I'm
14 just ribbing you.

15 Okay. We've talked a little bit -- and -- and
16 most of these questions you're going to see, we've talked
17 a little bit around. And so I think just the further
18 discussion, the further reinforcement, the further
19 figuring out, is this -- are we on the right track with
20 some of these thoughts? Is this what we're trying to get
21 out of this afternoon?

22 So what changes and approval in the
23 cost-recovery process might be needed to support
24 construction of transmission for renewable energy and
25 development in Arizona? The sub-bullets are some of the

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2 specifics that we've talked about.

3 So does anybody want to jump on one and say
4 this is what's really needed?

5 Obviously construction work in progress is an
6 interesting thing, that I think the utilities would love
7 to hear some feedback on, is what's the support level in
8 the room?

9 And we talked a little bit about abandonment
10 earlier today. That's -- that's a real issue. If you
11 start planning something, and it falls through, what
12 happens? And -- and what's the -- the implication?

13 So anybody love any of these topics and want to
14 talk about any of these?

15 We don't need cost recovery.

16 CHMN. MAYES: I -- I would be interested in
17 some -- do we have a comment? -- hearing from the
18 utilities or from the developers, which of these are
19 the -- are the most important.

20 I mean, as Commissioners, if -- if -- if you
21 had to pick one or two of these mechanisms -- CWIP, cost
22 recovery of abandoned work, or -- or permitting work,
23 RO -- amplified ROEs, which ones would -- would be at the
24 top of your list and which ones are most likely to spur
25 the development of renewable transmission?

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2 Thoughts, Mr. Lucas? Or --

3 MR. LUCAS: Chairman Mayes, I'd like to use the
4 example of North Gila #2.

5 CHMN. MAYES: Yeah.

6 MR. LUCAS: That's a project that's sited.

7 CHMN. MAYES: Yeah.

8 MR. LUCAS: It's in plans. It's visible.

9 CHMN. MAYES: Um-hmm.

10 MR. LUCAS: And developers can see that.

11 And I think, as you start getting an increased
12 amount of developers, that helps connect the two, where
13 now you've got some commitments along with offsetting
14 costs, and then you can move forward with building the
15 project.

16 So I think going along with, How do we spur
17 some of that? Getting some support for siting and
18 permitting, and having the ability to have some recovery
19 if, for some reason, that fell through -- I think that
20 would be that first step.

21 CHMN. MAYES: Okay. But you've already done a
22 lot of that work on North Gila #2. But you're say if --
23 if there was -- if there was to be another line like it --
24 having that cost recovery, if -- if for some reason the
25 projects that are in your interconnection queue didn't

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2 come to fruition, didn't work out, that having that --
3 that cost recovery of that up-front work would be helpful
4 and --

5 Okay.

6 MR. LUCAS: Yes, yes. And specifically, I -- I
7 wasn't clear on that, but specifically on a -- on a new
8 identified project where we could have the cost recovery
9 for moving forward, getting a permit, CEC, moving forward
10 with some land acquisition. And then, if, for some
11 reason, that project fell through, we have some sort of
12 cost recovery for that abandonment cost.

13 CHMN. MAYES: And how would you see that
14 mechanism playing out here at the Commission?

15 Would it be a Commission order? Would it be a
16 Commission policy statement? Something in a rate case --

17 I mean, have you thought this through.

18 Brad?

19 MALE SPEAKER: Do you want to come up?

20 MALE SPEAKER: I'm sorry, Chairman Mayes.

21 I think -- I wasn't here for the first part of
22 the discussion, but I think process-wise, we really
23 haven't gotten to that level of thinking. I mean, our
24 thinking of where we're spinning around these ideas is
25 more sort of on these questions, rather than sort of

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2 getting to the mechanics of how that would play out, so...

3 CHMN. MAYES: Okay.

4 MALE SPEAKER: -- we're just not there yet in
5 this process.

6 CHMN. MAYES: And what is it about, you know,
7 let's talk about North Gila #2. We've already
8 certificated it. Didn't -- probably wasn't originally
9 envisioned as a renewable energy transmission line, but it
10 has become the focal point for a number of interconnection
11 requests.

12 What -- and yet it was a line that APS decided
13 to push off, in its attempt to push off some capital
14 expenditure. So what's the hold up now on that line?

15 And it -- and it may end up being one of the
16 lines that gets proposed as part of this process, so I
17 don't want you to -- I'm not prejudging that, and I don't
18 want you to prejudge that.

19 But what -- what would stop you, given the
20 fairly significant cluster of solar projects, from
21 building it?

22 MR. ALBERT: Yeah, Chairman Mayes, I think
23 your -- your line of questioning is going exactly in the
24 direction of what this workshop is all about. The reason
25 why we pushed off the project was just because of the

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2 diminishing load needs in Yuma, which was our -- our
3 reason --

4 CHMN. MAYES: Um-hmm.

5 MR. ALBERT: -- for -- for wanting to build the
6 line. It was not in consideration of the renewable -- the
7 potential renewable implications of it, and that's what
8 we'll be looking at as we proceed through the evaluation
9 in this process.

10 CHMN. MAYES: Okay.

11 MR. ALBERT: The timing -- the timing of it is
12 really the question.

13 CHMN. MAYES: Okay. Commissioner Newman?

14 COM. NEWMAN: This goes back to the
15 Chairwoman's point before.

16 Actually I wanted to add, Kris had mentioned
17 that you had experimented with one line that didn't work
18 out and you didn't get the cost recovery add. It was your
19 full risk.

20 What line was that that the chairwoman was
21 referring to?

22 MR. ALBERT: Oh, Commissioner Newman, she was
23 referring to what we -- we labeled as the TransWest
24 Express Project --

25 COM. NEWMAN: Okay.

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2 MR. ALBERT: -- which would have -- was
3 envisioned to go from Wyoming down through Utah into
4 Southern Nevada, and then potentially into the Arizona
5 area.

6 COM. NEWMAN: Right. And that was -- that was
7 sort of to -- to get wind energy from Wyoming or just the
8 whole general, a whole lot of things?

9 MR. ALBERT: It was actually envisioned as --
10 as wind being one of the resources that we could import.
11 But it was actually envisioned also to support coal
12 resources, which really gives you an indication of how
13 significantly our resource picture has evolved over the
14 last several years, because, as you know, the resource
15 plan that we submitted earlier this year had no future
16 coal resources in there.

17 COM. NEWMAN: So that's an example of the
18 company assuming a risk, based on various variables that
19 existed ten years ago, but that don't exist today in terms
20 of coal.

21 MR. ALBERT: Yes. Yeah, Commissioner Newman,
22 not --

23 COM. NEWMAN: You assumed -- you assumed that
24 corporate risk and expenses related to -- to planning that
25 line, which must have been some amount of money.

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2 Do you have -- do you have any idea how many
3 millions you -- you did --

4 MR. ALBERT: I think one of my cohorts told me
5 that we -- I think that our investment -- and not an
6 accurate figure -- but somewhere less than one and a half
7 million dollars is what we devoted to that development
8 effort.

9 COM. NEWMAN: But there were other companies
10 also involved -- or was that your main gambit?

11 MALE SPEAKER: I -- I don't know how much of
12 that additional money was contributed -- there were other
13 companies involved, yes.

14 COM. NEWMAN: I imagine that there would be,
15 since it crossed so many state lines.

16 Yeah. The only -- I'll get -- I'll try to get
17 clear to the point -- and sometimes I ask my questions
18 in -- in -- by way of stories, but I think they're
19 illustrative.

20 The TEP also wanted to build a huge line down
21 to -- to Mexico, and that was a huge public controversy,
22 never successful.

23 There was a recent article written in the
24 Tucson Weekly, which was -- mind you, it's not the
25 New York Times -- but in which it indicated that there was

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2 never a market for electricity to Mexico, and that
3 TEP's -- whether this is true or not -- I'm just telling
4 you what was reported -- TEP's attempt to do that -- which
5 was opposed by many people, including myself, when I was a
6 state legislator down there -- was a gambit that was never
7 going to happen, because the Mexican government was never
8 prone to buy power from Arizona -- speaking of
9 export/import -- and that the -- the then Secretary of
10 Energy of Mexico, who is now the president of Mexico,
11 basically told TEP that.

12 So that's another example of another company in
13 Arizona assuming the risk of wanting to build a line to
14 make a lot of profit for its shareholders and -- and maybe
15 for its ratepayers -- but mostly for its shareholders --
16 and they assumed the risk.

17 So the -- the question, as a Commissioner who
18 has to -- we have to look at everything, we have to look
19 at ratepayer risk in all of this -- I -- I would say that
20 again, I'm -- I'm trying to get -- just speaking
21 frankly -- we're sitting on, you know, like the oil fields
22 of Saudi Arabia, and you want us to give you a no-risk
23 thing.

24 You want -- you want to assume that your -- all
25 of your risk is going to be covered, just in case solar

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2 doesn't make it.

3 Now, we're not -- we're not the kings of -- the
4 Commission is not the government of Saudi Arabia. We're
5 certainly not -- and we're trying to protect ratepayers.

6 So my -- my -- my question, it's just sort of a
7 conversational question -- I'm not coming to any
8 conclusion -- you know, Why -- why do we have to give you
9 full cost recovery? Why didn't it be some fraction of
10 that cost recovery, given that your risk in this clean
11 energy economy, that's going to be pushed by the United
12 States of America, that's in the billions of dollars --
13 and we're fighting a world climate change crisis -- you
14 want to take the headlines as the leaders in clean energy,
15 you have our fantastic guard from the Phoenix Suns, you
16 know, as your -- as your -- as your person out there on
17 television, pushing this, we all want you to succeed --
18 but why should -- why should the ratepayers have to give
19 you, you know, a full cost recovery?

20 Is that some Wall Street reason -- or you know,
21 I'm just -- tell me.

22 MR. ALBERT: And Commissioner -- yeah, I
23 appreciate sort of the open dialogue. That's what this
24 workshop is all -- is all about.

25 CHMN. MAYES: It's -- it's -- yeah, it's a

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2 conversation.

3 MR. ALBERT: But -- and so I don't think we, as
4 a company, are necessarily adverse to if we saw an
5 opportunity to profit from the development of a
6 transmission line, let's say it's -- let's say it's for
7 export to California --

8 COM. NEWMAN: Right. It's there.

9 MALE SPEAKER: If we saw that opportunity
10 and -- and --

11 COM. NEWMAN: And then 25 percent, don't
12 forget.

13 MALE SPEAKER: Let's -- let's -- and if we
14 judged the risk of making that investment as being a good
15 risk to take, I don't think we're necessarily adverse to
16 doing that. I guess the point of this is -- is that --
17 that if that were happening, I -- if we saw it that way,
18 it's likely that others would see it that way also,
19 because there are companies out there that are in the
20 business of just developing transmission lines for profit,
21 presumably.

22 So I'm not sure that -- necessarily, that APS
23 wouldn't have to be the person to step up and do that.

24 I guess what -- what we're saying here is that
25 the type of things that are -- that need to be brought

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2 before the Commission are the cases where that type of
3 investment would not be made, or that no one is willing to
4 step forward and make that because they don't see the --
5 the risk-return profile or -- as being an acceptable one
6 to make that investment.

7 And that's where the issue -- that's -- that's
8 where this dialogue and -- and the type of things that the
9 Commission and the utilities can jointly do, and how
10 that's structured -- that's where this comes into play.

11 Did -- did that answer your question?

12 COM. NEWMAN: And -- and -- yeah, it does.

13 And -- but I just wanted to make -- you have to
14 understand what's going on in my head, because I have a
15 lot of -- I have other variables that I have to make this
16 sell. You have to make, you know -- you have to make the
17 sell to your investors; I have to make the sell to the
18 public of creating an export market, import market. But
19 they're not going to say, but I don't want it on the back
20 of the ratepayers, and we're going to have to pay for that
21 insurance contract, you know, to make you whole.

22 They're not going to like that. They may like
23 a compromise on that, but they're not going to like the
24 whole kit and caboodle.

25 And that's -- that's why this is a

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2 conversation. I'm just trying to --

3 MR. ALBERT: And I -- you know, I was a --

4 COM. NEWMAN: A social -- a social comment.

5 MR. ALBERT: This is -- I think it is right in
6 line with the comments that Tom Wray made earlier this
7 morning of the difficulty and the challenge of striking
8 that balance is -- is really -- where do we draw that
9 balance, collectively?

10 Tom, were you going to make a comment? I saw
11 you grabbing the microphone.

12 MR. WRAY: Yes, I did. And I wish I hadn't,
13 but --

14 (Laughter.)

15 COM. NEWMAN: It's a -- having a colloquy with
16 me, sometimes is impossible.

17 MR. WRAY: It wasn't me, Commissioner Newman.
18 It was somebody else.

19 (Laughter.)

20 MR. WRAY: Let me do this, to go back to the
21 chair's original inquiry, hearing from the merchants about
22 this list, let me just summarize very quickly what the
23 options are.

24 Abandonment is not an interesting alternative
25 to a merchant, because that's -- we -- we -- that's

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2 basically Chapter 11.

3 COM. NEWMAN: Right.

4 MR. WRAY: We don't have a population to go
5 back to -- to recover our abandonment costs, so we better
6 do this right the first time --

7 COM. NEWMAN: Um-hmm.

8 MR. WRAY: -- to say that. And so all of
9 that -- having said that, that's one of the big reasons we
10 go to the Federal Energy Regulatory Commission and pray
11 for higher rates of return on our investment, because we
12 think we've earned it, taking those kinds of immitigable
13 risks, if you will.

14 Let me -- let me go back to the -- to the
15 colloquy that's been going on here between Commissioner
16 Newman and Brad. It seems to me that there needs to be a
17 distinction in establishing your policy here, that so long
18 as a jurisdictional utility has not yet met the renewable
19 energy standard that's been assigned to them, which is
20 your statement to the ratepayers that you're willing to
21 let that utility recover whatever costs, including
22 transmission, necessary to -- to meet that REZ standard,
23 and you're going to put that in rates, you said that by
24 having a renewable energy standard.

25 So the -- the distinction, I believe that's a

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2 difference -- and it is that as long as the utility has
3 not yet met its risk, then any reasonable and prudent
4 costs associated with transmission that they need to cause
5 to happen is includable in rates. As long as it's
6 reasonable -- reasonably incurred and prudent.

7 Remember, we're talking about here is a case
8 where they have met their REZ and you want them to do
9 more. You alluded, earlier today, Commissioner Newman,
10 this morning, about maybe the REZ is inadequate, and maybe
11 it should be debated here, among yourselves, about raising
12 it. That is a statement that you're making to the
13 ratepayers, that -- that renewable energy carries with it
14 such a higher public interest -- this is an investment in
15 the future, that you're willing to have the ratepayers to
16 pay for it, which means that incremental renewal, if you
17 raise the REZ standard, then that says to the utilities
18 you regulate that you can go out and spend more capital
19 and build more transmission, if it's necessary to meet
20 that standard.

21 You've got to reach out and build more radio
22 lines or network service lines to raise the kilowatt hours
23 that are attributable to renewables to meet the standard
24 we're imposing on you.

25 My point is, up to that -- up to that point of

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2 meeting the renewable standard, I -- I see no distinction
3 in -- in that cost being allocated to rates, than meeting
4 the National Electric Safety Code for vertical clearance
5 on a line.

6 It's business as usual. It is a requirement
7 for that utility to operate under its CC&N in the state.
8 So you're going to include those costs in their rates, as
9 long as they're reasonable and prudent.

10 And what we're talking about here -- and what
11 we've been talking about for the last two workshops, I
12 think -- is what do you do for those investments you're
13 encouraging the utilities to do above the REZ? How do we
14 deal with those costs?

15 And -- and the public policy issue seems to be,
16 Is there enough -- is there -- is there enough argument,
17 from the fact that the unit costs of solar -- talk about
18 solar for a minute -- if there's enough solar generation
19 built in Arizona, the unit costs, because it's a
20 commodity, will go down?

21 That's what you want to achieve. You want a
22 lower unit cost, so you want more of it built. And so
23 when a utility goes out for an RFP to buy 200 megawatts of
24 solar, you'd like for that to be subject to competitive
25 bidding, for example, so the benefits of that go to your

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2 ratepayers.

3 And I think what we're trying to figure out
4 here is how to finance, and therefore, in utility
5 language, how does it get recovered in rates for that
6 increment of transmission investment that's a -- that's
7 needed to be done, that's above the REZ.

8 COM. NEWMAN: You're very clear. And I agree
9 with you. And I'm just going to throw another softball
10 out there.

11 We might be looking at energy efficiency -- we
12 are looking at energy efficiency policy. It may create
13 a -- a low-hanging fruit policy to try and get something
14 on the -- I know the Chairwoman has said 20 percent,
15 there's other places that have done 20 percent.

16 If we reduce, through energy efficiency,
17 20 percent, does that have any change on this equation for
18 cost recovery? Meaning you'll need to build less
19 transmission because we'll be using less energy.

20 Is there any way that that fits in with the
21 fairness argument that I'm trying to create here, but
22 you -- that I was trying to argue about.

23 You're telling me that that fairness argument,
24 in general, it doesn't really fit, that your cost of doing
25 business is your cost of doing business. But I'm just

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2 going to throw in energy efficiency on top of it --

3 MALE SPEAKER: Yeah, I don't think --

4 COM. NEWMAN: -- in your analysis.

5 MALE SPEAKER: I don't think it converts
6 directly. I think it's a case-by-case basis. I think
7 your general premise is, that if I reduce demand by
8 20 percent because I've been -- I've incentivised
9 utilities to go out and reduce their load.

10 COM. NEWMAN: Right.

11 MALE SPEAKER: In fact, there is a certain
12 amount of fixed cost that that utility has to pay even in
13 the face of reducing demand. Ask any of them, they'll
14 tell you that. That doesn't change.

15 The variable costs that utilities face are
16 primarily fuel-related. Not all of it, but a great deal
17 of it.

18 COM. NEWMAN: Right.

19 MALE SPEAKER: So to the degree they have to
20 buy less fuel -- if it's real energy that you're talking
21 of saving here -- then I think a fair way to handle that,
22 if I were in your seat, would be to share that savings
23 between ratepayers and the shareholders in the company.

24 How much and how that's split? I don't know.

25 But just because you reduce energy requirements through

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2 demand-side management programs that are successful,
3 doesn't necessarily mean that they will have to,
4 therefore, invest less cap X to build transmission.
5 That's not necessarily true.

6 COM. NEWMAN: And just one more -- one more
7 question. I don't want to monopolize. It's a very --
8 it's helping me congeal a lot of my thoughts about this.
9 But that's why I was talking about the export markets
10 before.

11 If we're spending X amount of money, some
12 people say five billion, eight billion -- whatever it
13 might be to get energy in here, we reduce that by energy
14 efficiency, but we also reduce that if we grow our solar
15 industry because it's free.

16 That -- that, to me, is why everybody -- I
17 think everybody in the room -- whether we're building
18 transmissions or the utilities companies -- I -- I
19 can't -- I -- I -- that's -- that's the thing that the
20 people really get. I mean, people at the Circle Ks, they
21 get it, they get it. They -- they say, Well, why aren't
22 we growing this industry? Why isn't -- why aren't we
23 building the proper transmission lines to the best places
24 where we can be growing this solar, because ultimately
25 this -- at -- at a point -- that the capitalization

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2 occurs, the -- the fuel source itself is free.

3 Then we'll have -- then we can -- we can get --
4 you can make money. You'll be making money by buying less
5 from other markets. You won't have to -- and that million
6 dollars that you spent trying to bring coal in from --
7 from the western side of the Rockies, that won't exist at
8 all either.

9 There -- I wish -- you know, I wish I was
10 enough of a brilliant mathematician just to see it on a
11 map. But I could almost -- you can almost do it with
12 simple simples. I -- don't you think?

13 And so if that's a new game, why can't you find
14 a fair way that the -- the risk is not necessarily shared
15 between the ratepayers and the companies?

16 There's profit in it.

17 MALE SPEAKER: The -- the general -- the
18 general appeal to the guy --

19 COM. NEWMAN: It's profit in this.

20 MALE SPEAKER: Commissioner, the general appeal
21 to the guy in the Circle K is that -- and you hit on it --
22 is the fuel cost is zero.

23 COM. NEWMAN: Right.

24 MALE SPEAKER: Better, it never depletes.

25 COM. NEWMAN: Right.

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2 MALE SPEAKER: You'll eventually run out of
3 coal, your overburden will get so thick that it's un --
4 it's -- it's not economic to mine the coal anymore.

5 COM. NEWMAN: Right.

6 MALE SPEAKER: Seriously.

7 COM. NEWMAN: Yeah.

8 MALE SPEAKER: So the -- the appeal that --
9 that renewables have to the people that walk the streets
10 out there is that we're not depending on a foreign
11 country. It's not a depletable fuel. We can always --
12 it's always there, but it's expensive. It's expensive
13 because there's not a lot of it.

14 It's still a commodity. The more of it that's
15 produced, the unit cost will go down. That's an
16 inevitable consequence of economics, just by anyone's
17 measure.

18 So the trick here is to figure out policy
19 that -- for those situations in which utilities you
20 regulate have met their renewable energy standard,
21 whatever you set it at.

22 By the way, you may want to give some thinking
23 to setting a maximum REZ. And there may be some -- I'm --
24 I'm being serious here, not facetious, because it's
25 capacity factor realities on this renewable generation --

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2 you don't want to compromise reliability. So we keep
3 talking about -- talking about, you know, 15,
4 25 percent -- but at some higher level, it does -- it will
5 compromise the functioning of the system, without all
6 kinds of other generation deferment.

7 COM. NEWMAN: Now, that -- that's why this
8 conversation about what the numbers should be is very --
9 you know, a very long conversation. We don't do this
10 overnight.

11 You know, thank you, so much, I -- you know --

12 MALE SPEAKER: Can I -- if I could just adjust
13 one thing to the -- to the discussion that you two
14 gentleman just had, Commissioner Newman, that -- I
15 certainly agree with you that once that solar plant gets
16 built, the ongoing operational costs of it are relatively
17 small. I mean, you're not putting fuel in it. It's -- it
18 is free from a fuel perspective. And it does like -- like
19 a Starwood-type plant will certainly allow us to -- to
20 reduce the amount of energy natural gas, for instance,
21 that we're importing from other states.

22 COM. NEWMAN: And the peaker advance and all of
23 that stuff.

24 MALE SPEAKER: But -- but we all -- we -- we
25 have to remember that there is a relatively large up-front

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2 capital investment required for that -- for -- for those
3 type of plants. And a good estimate for a plant like that
4 is probably somewhere around a billion and a half dollars
5 of up-front capital investment that needs to be recovered
6 over time to pay for that plant.

7 And so it -- it's -- it's free from an ongoing
8 cost perspective -- or not quite free, but close to it.
9 But that capital investment is still a relatively large
10 hurdle to overcome. So I just wanted to make sure we were
11 cognizant of that.

12 MS. ORMOND: So I want to use something Tom
13 said to bridge to the next set of questions. And I -- I'm
14 going to take issue a little bit with what you said.

15 Part of what you said is that if there's a
16 renewable energy standard, then, in essence, the
17 Commission is saying it's okay to do -- to assume whatever
18 cost, including transmission, to get -- to meet that
19 mandate.

20 And -- and I would say, in the grandest policy
21 scheme, that's correct, except for, if you get down in the
22 details, no transmission line is going to be built just
23 for renewables; it's going to be built for a variety of
24 purposes in import and export.

25 So the devil is in the detail of, how do you

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2 assign those costs? Because it's true, if you develop a
3 renewable energy standard and you need transmission, that
4 that's a -- that's a reasonable cost, but we don't build
5 transmission just for one single thing.

6 So if you would jump to the slide on renewable
7 transmission projects, what -- what I want to ask the
8 audience now -- and we haven't really touched on this too
9 much -- and we'll come back to these other questions is --

10 Yeah. Thank you.

11 -- is -- is how should we consider a renewable
12 energy transmission project? How do we actually define
13 it?

14 And Brad had, in his presentations, a couple
15 items, and one of them was that we do a one-time
16 designation at like the start of the line or when you're
17 asking for recovery. I think Brad had in there that it
18 shouldn't have an energy benchmark or standard -- there
19 were a couple things.

20 So can we talk a little bit about, How do you
21 all see what a renewable transmission line is?

22 MALE SPEAKER: If I could just add one other
23 thought there -- or one other distinction -- or one other
24 key element of the definition that we proposed is it's not
25 just about gathering, collecting, interconnecting --

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2 connecting a renewable energy zone to the bulk power
3 transmission system.

4 It's also about doing all the things along the
5 chain to actually get it to load, because that's what,
6 ultimately, is required in order to enable these
7 resource -- the renewable resources to -- to -- to be
8 used, and -- and get the full value out of them by the
9 utilities.

10 MS. ORMOND: So does anybody want to throw
11 out -- our line needs to be 100 percent renewables,
12 2 percent renewables? Anybody want to throw out some
13 things they've heard or think are reasonable?

14 Mr. San Diego (sic)?

15 MR. STRACK: Same issues.

16 So what it -- what I don't understand is how
17 you could ever really, you know, link a transmission line
18 and say it has to be "X renewable."

19 I -- I don't know what that means in a network
20 because electrons don't -- you know, there's no painting
21 of electrons. So every line you put on the grid, anywhere
22 on the grid in the whole WCC is going to carry some brown
23 power, it's going to carry some green power.

24 So you have to approach that kind of a thing in
25 a different -- some different way, because it just doesn't

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2 work from a -- any kind of objective basis.

3 MS. ORMOND: And we were having a little
4 conversation at lunch. One of the difficulties is if
5 we're trying to push transmission to be built in advance
6 of generation. One of the ways that you could define this
7 is you could say so much of the capacity of the lines
8 should be dedicated to renewable energy, but how would you
9 if you don't have the generators on the back end or know
10 who they're going to be? And if you set a benchmark and
11 then the benchmark was not met, do you go back and take
12 back your incentives? Or how do you -- how do you
13 penalize somebody that didn't meet whatever was the
14 criteria going forward?

15 Thoughts?

16 Should there be any benchmark, should --
17 because when we have had these discussions, I know I have
18 heard Tom say a number of times, that a renewable
19 transmission energy line will get added benefits. That
20 might be a better return on investment, it might be faster
21 permitting, it might be all of the above.

22 Well, are we going to give this to everybody?

23 MR. CHARTERS: Amanda, this is Jim Charters,
24 Western States Energy Solutions.

25 We have examined the daylights out of where the

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2 renewable energy zones -- pockets -- whatever we wanted to
3 call them. We've also examined the fact that we have a
4 tremendous amount of requests for interconnection in
5 certain areas.

6 It would seem that a preponderance of that
7 evidence would show you that a line that supported those
8 places would be reasonably expected to be called a
9 renewable transmission facility. Even though -- I mean,
10 and if they didn't come along and develop, you've done the
11 best you could to facilitate them developing those
12 facilities where the interconnections are requested to --
13 even to Jerry's point -- that maybe a third of them only
14 come online.

15 MS. ORMOND: Um-hmm.

16 MR. CHARTERS: And that's a lot, Jerry, I know
17 that. But -- but those kinds of things can lead you to
18 a -- an evidentiary way of saying that it's a renewable
19 transmission project.

20 If it came out to be 2 percent after you've
21 done it, from that point of view, maybe that's okay.
22 Because you try -- I mean, we -- we have noticed over the
23 years that if you put a big transmission facility, or even
24 the ones that are out there, we don't get people asking
25 for interconnections in the middle of nowhere very often.

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2 They ask for connections to facilities that are out
3 there. So I think that gives you an evidentiary way of --
4 of identifying renewable transmission project.

5 And -- and once you've said, "yes, that is,"
6 then it is. You -- you don't want to go back, because if
7 you do, you're going to have all kinds of rock and roll --
8 of people that say, Well, you said you would and you
9 aren't. Well, that you don't want to be there.

10 But anyway, that's a way of doing it without
11 saying one percent or two percent or some -- some number.

12 MR. GETTS: This is David Getts, again, with
13 Southwest Repair Group. You know, I'm -- I'm charged, in
14 our company, with thinking about how we're going to
15 recover the cost of SunZia.

16 Tom's the project manager and he's permitting
17 it. And this is an issue that we're struggling with right
18 now. And we have a number of partners, and the partners
19 are in slightly different positions.

20 So I'm talking right now about Southwestern
21 Power Group's share of this, what we believe is a
22 renewable transmission line.

23 And although APS and Tucson are in a different
24 position than we are, because we're a merchant line -- and
25 as Tom said, We don't have some of the opportunities to

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2 recover costs we're taking -- we -- we believe we're
3 taking more risk at this stage.

4 But nonetheless, I think it's important, from a
5 cost-recovery standpoint -- and this is my finance hat
6 on -- that whatever the Commission decides, not be
7 retroactive or be discoverable after the fact -- kind of
8 to Jim's point.

9 The point and -- and Phil Dion, I think, said
10 it this morning pretty well -- this is all about cost
11 recovery. And if it's clear that the investors will get
12 their money back, the utility will get their money back, I
13 have not doubt they'll go ahead and start building
14 things.

15 I think they have a legitimate concern about,
16 in a regulated environment, how that happens so they have
17 enough certainty.

18 I don't know what the magic number should be.
19 I do think, like Jim does, that you can kind of quantify
20 or come up with some metrics to suggest what renewables,
21 if -- if that's what you believe needs to happen.

22 In our case, I think it's a little simpler,
23 where we're going to have underlying interconnections with
24 the underlying EHV grid in several places, but our target
25 customers are wind and solar generators, and we're very

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2 clear about that.

3 Now, under 888, of course, we can't deny
4 interconnection to anybody who wants to interconnect on
5 our line. But because of the physical geography of our
6 layout, it looks pretty clear that most of the people who
7 will probably submit interconnection requests are going to
8 be wind generators and solar generators.

9 So I think it's possible. That's not to say
10 that, depending on the architecture, it's more
11 complicated. But I think that it's not that -- it's not
12 impossible to come up with a standard, whether it be
13 50 percent or whatnot.

14 The other thing I had mentioned, too, for
15 consideration, is we don't have an answer either.
16 We're -- we're involved or watching some of these
17 regional -- the wind integration studies and things that
18 are going on now. We don't know yet how much affirming
19 generation or dispatchable generation we're going to need
20 to be able to flow the power we have, because wind and
21 solar are intermittent resources.

22 And there are some real technical issues
23 involved. As you increase the penetration of intermittent
24 resources, you really do need some dispatchable generation
25 somewhere, of some kind, to firm that -- from just a

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2 system reliability standpoint -- and I don't know what
3 that is, and I'm -- I'm not the engineer -- I'm the
4 finance guy.

5 So I think, bear in mind, in coming up with a
6 policy that tries to strike a balance to ensure that
7 renewable transmission truly serves renewable resources,
8 that you take consideration of traditional or dispatchable
9 resources that are going to be needed somewhere -- and I
10 don't know how they fit in the mix.

11 But my main point, just where I started is, I
12 think that whatever you decide, it's important --
13 particularly with the list of Slide 6 -- I guess Brad's
14 slide.

15 When you're talking about development costs,
16 up-front things, you really don't want to be in a position
17 where you're -- and I'll speak in our case -- if we had
18 the luxury of having cost recovery, whether it was
19 development fees or abandonment costs or construction work
20 in progress, we certainly don't want to find ourselves in
21 the end of the permitting process or in the middle of
22 construction, and find out that, all of a sudden, we're
23 not a renewable transmission line any more -- and that
24 would be death.

25 You know, we're going to have to seek private

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2 investors. Again, it's a slightly different position, but
3 I think the finance principal is clear.

4 Whatever you decide, if you want to build
5 renewable transmission, you need to give the provider of
6 that clear guidelines and rules by which he can make a
7 decision up front, you know, before he gets very far into
8 development, that he knows he's got a high certainty of
9 cost recovery.

10 MS. ORMOND: So I'm going to play devil's
11 advocate here for a minute, because I heard you -- if it
12 could be 2 percent or you could determine that it's a
13 renewable energy line -- based on what we know now and how
14 much renewable generation we think there's going to be in
15 the future, couldn't you classify all new transmission as
16 a renewable energy transmission line?

17 Because that's how I would look at it. It's
18 like, well, somebody's going to be building renewable
19 somewhere, and if it's part of a network, then it's part
20 renewable.

21 So I guess my personal feeling is that there
22 has to be some kind of benchmark, because otherwise we're
23 talking about everything. And -- and if we want to give
24 extra incentives to the utilities to build transmission,
25 all of it, fine. But let's make sure we're going to do

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2 that.

3 So I think I'd ask the question again, Is
4 there -- is there any benchmark that's reasonable?

5 CHMN. MAYES: Amanda?

6 MS. ORMOND: And -- and --

7 CHMN. MAYES: Amanda, could I -- then we'll go
8 to Jerry.

9 But what about -- what about a standard that
10 said, If you have two developers willing to subscribe,
11 Zephyr style, to a line, to be the anchor tenants,
12 50 percent or some other percentage that we -- that we
13 chose, that we could then consider that eligible for a
14 heightened ROE or CWIP or some other mechanism?

15 I mean, there's got to be a way to do this. If
16 you -- if you -- if you -- you know, if they're using
17 Zephyr or if Zephyr is being used, if you have a
18 significant number of anchor tenants who are willing to
19 put up, you know, to -- to take that risk -- and you know
20 that's going to happen, and then -- and then the
21 Commission formalized that in some way, I mean, what about
22 that?

23 MS. ORMOND: I -- I think that that's doable.

24 What about in the case where there is no anchor
25 tenant, or we've identified these resource areas and

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2 there's a lot of interconnection requests, but there's no
3 true anchor tenant?

4 CHMN. MAYES: Well, that's a --

5 MS. ORMOND: Maybe that -- maybe that doesn't
6 get -- maybe it doesn't get built.

7 CHMN. MAYES: Maybe it doesn't get built,
8 then.

9 MS. ORMOND: Right.

10 CHMN. MAYES: Exactly.

11 MS. ORMOND: Or it's not one of the first
12 ones.

13 CHMN. MAYES: Yeah.

14 MR. SMITH: Let me start first with the ROE
15 question.

16 I think when you're talking about the
17 transmission tariff component of this, this will be a FERC
18 matter rather than a Commission matter, unless --

19 COM. NEWMAN: A FERC?

20 MR. SMITH: -- unless you are crafting some
21 special provisions of what to supplement regarding the
22 FERC tariff, because of transmission you're trying to
23 encourage in Arizona.

24 But let me go back and offer some
25 distinctions.

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2 COM. NEWMAN: Could you -- you just have to
3 explain that a little bit more to me.

4 MR. SMITH: The -- the transmission tariffs in
5 use by the transmission providers are set by FERC.

6 COM. NEWMAN: Right.

7 MR. SMITH: And those are rolled through the
8 retail ratemaking process as a -- a fixed tariff component
9 here at the Commission.

10 So if we're talking about, How do you fund
11 transmission with an ROE? my assumption would be that
12 either that would be a FERC-driven decision, in terms of
13 what adjustments are made in the FERC tariff, or it would
14 imply that the -- this Commission is choosing to add a
15 supplemental return justified for renewable, for
16 transmission built in this state.

17 Now, let me go back and talk about the
18 distinctions that I see between lines that could be viewed
19 as "but for renewable" versus those that are driven by
20 load-serving needs of the state.

21 If we go back to Brad's Slide 6, again, that
22 talked about doing these things in advance of getting a
23 CEC, in advance of there even being a potential anchor
24 tenant, or without there being a potential interconnector
25 in a queue -- simply because you have made some judgment

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2 that this area is likely to develop as renewable, you
3 would be proposing those projects.

4 Go through those three processes on one of two
5 basis -- one would be it's envisioned to be a load-serving
6 line, in the future anyway -- an example of that is the
7 second line from Palo Verde to North Gila. It gets
8 delayed until such time, and isn't constructed until the
9 load requirements are there to support it or until a
10 renewable project chooses to interconnect in a fashion
11 that would activate that line being constructed. When
12 that renewable chooses to interconnect it, you could say,
13 at that point in time, it is the triggering event that
14 causes that line to become eligible for the renewable
15 designation.

16 The other scenario is if you are supposing to
17 pre-site lines that are not envisioned to necessarily meet
18 future load-serving requirements of the state, or are
19 simply to connect renewable technology to access the
20 wholesale market -- markets exporting from Arizona,
21 certainly you would want to designate that on the
22 front-end as a renewable transmission project. And that's
23 where I think you would want to consider the possibility
24 of the recovery costs for the pre-siting activity.

25 But again, that line would not be built and

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2 constructed until such time that there were anchor tenants
3 or parties that are seeking the interconnection.

4 So that's the two distinctions I would offer to
5 you to consider.

6 CHMN. MAYES: Thank you, Jerry.

7 MS. ORMOND: Because it's a late hour, can you
8 restate both of those in just a sentence or two?

9 I'm sorry. But just really --

10 CHMN. MAYES: And that would be helpful,
11 because I think those are very interesting proposals.

12 MR. SMITH: The two scenarios is a line that's
13 pre-sited, that is envisioned to be a load-serving line.

14 The second type of line is one that is only
15 envisioned for the purpose of interconnecting potential
16 renewable development and to connect it to multiple
17 markets.

18 That is -- the second one, the latter one -- is
19 the one that I would suggest should have some special
20 treatment regarding the recovery of that pre-advance
21 filing effort.

22 MS. ORMOND: You spoke about a trigger that you
23 get certain generators, and then there would be a
24 trigger. But I think I heard earlier that some of the
25 developers are saying they want to know early and with

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2 certainty that this is going to have certain treatment.

3 MR. SMITH: The certainty comes because in
4 either case you are pre-siting it -- from a renewable
5 perspective, you're pre-siting it. That is the certainty
6 that they're getting is that this is already at a stage
7 that all that's required is they now need to become real
8 and step up to the plate, saying, "We are an anchor
9 tenant, we are going to interconnect," at that point.

10 CHMN. MAYES: So we pre-site the -- we do a
11 pre-CEC or CEC in advance of the line.

12 And -- and you've talked about this earlier
13 today, Jerry, who applies for that CEC? Who is the entity
14 that says that we --

15 MR. SMITH: Who envisions which lines would be
16 needed? It's, I think somewhat, the process that
17 you've -- you've commenced here with the Commission.

18 Right now you're asking to identify the three
19 lines.

20 CHMN. MAYES: Right, right.

21 MR. SMITH: The broader question is, "How are
22 you going to address the export component, beyond just
23 what is envisioned to meet the near-term needs of the
24 state?" Whatever process you use there, there would need
25 to be some -- some sponsor that would say, "Yes, we agree

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2 there is sufficient potential here to warrant a pre-siting
3 effort for a renewable transmission line."

4 COM. NEWMAN: Madame Chair, I -- this is --
5 We had that map. I don't want to ask you to
6 take the time to put up the map, again. But it seemed to
7 me that with the maps that we've seen -- for whatever
8 reason, whether it's market-driven or at least a lot of
9 the projects right now are near existing lines -- we also
10 want to look for sweet-spot other lines that are
11 environmentally doable, in Arizona.

12 And -- and there -- there must be some way to
13 do sort of a content analysis of this -- of not only the
14 sweet-spot lines, but where some of these projects are
15 going in -- like, for example, where the six projects are
16 going in near the -- in the Valley, near Palo Verde.

17 So just speaking from a -- sort of if we were
18 doing this in the social -- socialistic model, I don't --
19 if you were doing it, if the Corporation Commission were
20 taking an infrastructure view of Arizona, we could say,
21 "Yes, those sweet spots have been identified by the
22 scientists, plus the areas where it seems like the private
23 sector wants to build their -- near transmission lines
24 now, so reduce the risk of -- of all of this in future
25 years of transmission."

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2 Can't we, as a body, in the sense, just look at
3 this objectively, our Staff, and say, "These are areas
4 where lines should exist," and then have more analysis and
5 then whittle it down for purposes of import and export?
6 Or is that too ambitious?

7 MR. SMITH: I -- I think, from a policy
8 perspective, that it -- that is something you could do.

9 I would caution you, though, that you would not
10 want to go through a siting process to consider a future
11 transmission line that hasn't been through the rigors of
12 technical investigation to assure it accomplishes its
13 purpose and does not harm the system.

14 COM. NEWMAN: So when the Madam -- when the
15 Chairman -- does it follow that the Chairman -- you know,
16 how would the CEC process works, my -- this is sort of my
17 response to that -- we could also -- pro-actively, the
18 Commission, through its Staff working with this group, can
19 say, You know, these six zones, because they're existing
20 projects, should be looked at. Somebody helps us with the
21 export line. Or is that just -- is that pie in the sky,
22 two simplistic?

23 I'm just saying, we can start our own. It
24 doesn't have to be a party. The Commission says, These
25 zones are important. And the private sector seems to be

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2 telling us that, you know, because they want a cite six or
3 eight things here that this is important to look at.

4 MR. SMITH: Commissioner, I think what I'm
5 hearing you suggest is beyond the three lines that the
6 utilities would likely bring forward through this
7 process.

8 COM. NEWMAN: Yes.

9 MR. SMITH: That possibly the Commission might
10 take the evidence before it and say, We think there is
11 sufficient justification for additional lines in being
12 defined to accommodate these renewable zones, in some
13 fashion, and have some activity that goes about defining
14 what those lines would be.

15 COM. NEWMAN: That's what I'm suggesting.

16 MR. SMITH: And I think that is certainly
17 something that could be done. I think it is something
18 that, again, would need -- because it likely would be
19 something that would not fit necessarily with what the
20 load-serving needs are for the utilities in this state.
21 It might require a different type of consideration than
22 you're going to get through the process for the three
23 lines.

24 CHMN. MAYES: Could I, Jerry, ask you a quick
25 question?

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2 What -- I've been thinking, today, about the
3 analogy -- any analogies that could be drawn between what
4 you're talking about and the Commission's pre-approval
5 process for natural gas pipelines and natural gas storage
6 projects.

7 And are there any analogies to be drawn there,
8 with regard to pre-approval of costs associated -- that we
9 allowed, associated with the building of the Transwestern
10 pipeline that ultimately led to our policy statement that
11 said, "We believe this is an important -- this is
12 important to the state of Arizona, therefore we are going
13 to take the somewhat extraordinary step of pre-approving
14 costs associated with the construction of a transmission,
15 natural gas transmission line. And bring us proposals and
16 we will pre-approve costs" -- which we ultimately did with
17 Transwestern, which is what led to the construction of
18 Transwestern.

19 So I see some --

20 MR. SMITH: I think, procedurally, Chairman,
21 what you're describing is very similar, from a procedural
22 perspective and from a policy perspective. Where I think
23 there is a difference is the electric transmission line
24 needs to operate in a network setting where the pipeline
25 is a standalone facility, so --

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2 CHMN. MAYES: And sited by FERC?

3 MR. SMITH: And sited by FERC, yes.

4 CHMN. MAYES: Right.

5 MR. SMITH: So those are the two distinctions I
6 see.

7 CHMN. MAYES: Of course, that may be where
8 we're headed, unfortunately, on this legislation that
9 we're seeing in Congress -- but on electric transmission.
10 But thank you.

11 COM. NEWMAN: Right.

12 MR. SPRAGUE: I'm Ron Sprague, with ETA
13 Engineering.

14 And what I've been hearing discussed here is
15 mainly PV plants or -- or concentrated solar plants built
16 and owned by utilities -- not so much from private
17 developers.

18 There are some private developers out there.
19 Suppose you have a site that requires some 20 or 30 miles
20 of line to access the utility's line where they want you
21 to come in. And then, once you build that line, all of a
22 sudden that opens it up for other development and other
23 users to come online.

24 Does the private generator get reimbursed for
25 his expenses?

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2 MS. ORMOND: Tom, you remember there -- there
3 has been a case where that -- that's happened. I can't
4 remember --

5 MR. WRAY: Well, he -- what -- what I think --
6 I was sitting here listening to some of this discussion
7 and sort of thinking of a reverse line extension policy.

8 (Laughter.)

9 MR. WRAY: I mean, the way -- the way it works
10 for distribution, as I recall from my utility days, is
11 that the developer essentially pays for the line
12 extension --

13 FEMALE SPEAKER: -- and gets reimbursed.

14 MR. WRAY: -- and gets reimbursed over a
15 three-year period based on estimated revenues or something
16 like that.

17 And then the utility -- it's a great deal for
18 the utilities because we get to own the line at the end of
19 the day -- somebody else pays for it. Those are great
20 deals when we get them.

21 I think what he's talking about is -- and I was
22 sitting here thinking about a way that you could
23 incentivise by, essentially, in effect, having the
24 ratepayers finance these radio transmission lines that
25 sort of go out.

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2 I mean, no one's going to argue with an RTP
3 designation for a radio transmission line that goes in and
4 harvests renewables. There's nothing else -- there's no
5 opportunity for brown electronics to get on it,
6 Commissioner Newman. It's just a radio line.

7 And you go out and pick that first customer
8 up. Maybe he's a 250 megawatt combined -- concentrated
9 solar project, private developer. And he pays -- if the
10 ATC on that radio is 1200 megawatts and his -- he needs
11 250 megawatts, unidirectionally, to ship out to market --
12 wherever that is -- his out -- his -- his cap X that he
13 puts up is that fraction.

14 The ratepayers carry the balance until the next
15 guy shows up, and eventually the ATC is gone and the cap X
16 is reimbursed. In effect, it's kind of a reverse line
17 extension policy. But the -- but the loan is carried,
18 during that intervening period, until that ATC is all used
19 up by the ratepayers.

20 MALE SPEAKER: Tom, I would suggest that's --
21 that's -- the way I heard you explain that, that's very
22 akin to the Tehachapi model in California.

23 MR. WRAY: It is. Somewhat -- it's somewhat
24 like that.

25 MALE SPEAKER: Yeah.

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2 MR. WRAY: But the question then becomes, in
3 the course of that period of time, assuming it's several
4 years, there's a CWIP amount of money there.

5 Does the utility regulate -- get to earn some
6 sort of extraordinary rate of return, somehow, on that?
7 Is there -- how does he get incentivised to do all of
8 this?

9 I think we ought to kick that around in a
10 finance subcommittee and see what we can come out with.

11 MR. CHARTERS: You through, Tom?

12 MR. WRAY: Yes.

13 MR. CHARTERS: Okay.

14 MR. WRAY: I yield to Mr. Charters.

15 MR. CHARTERS: One -- golly, it's been a bit
16 since I've thought about it.

17 The Renewable Transmission Task Force that
18 exists under SWAT, and which we've always understood had
19 two -- two functions -- one was to support the utilities,
20 in their -- their through-line routine -- which I hope is
21 not three times four; and the other thing was we knew it
22 was for you, as the Commission. We -- we've always had
23 the idea in our hat that we had to do both.

24 I submit to you that the Renewable Transmission
25 Task Force provides you a -- your techie group that you

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2 were looking for -- to do the kinds of things that you
3 were asking about, in terms of -- of what is Jerry's point
4 of -- of studying a line to make sure that it doesn't blow
5 everything up, or/and developing other ideas of where --
6 where one might go.

7 And I -- and I -- I know Peter -- that's --
8 that's terrible, isn't it? But the -- the point I'm
9 trying to make is, Do you have a mechanism that can do
10 this kind of thing?

11 And -- and we've always known that -- that, you
12 know, we said, Yeah, we were owing to SWAT. But we are
13 owing to the Commission. And we've known it for -- for
14 all of this time, huh, Peter? Yes, we have, yes.

15 Thank you. Thank you.

16 MS. ORMOND: Additional thoughts on cost
17 recovery, cost allocation?

18 Okay. So I think the RTTF has some work to do,
19 to be able to come up with recommendations on what a
20 renewable transmission line is or is not.

21 And I thought about giving you all a break, but
22 I know if I do, you'll all leave. So we're not doing a
23 break. We're just going to press on to the end, because
24 we're going to get out of here early.

25 So I want to go back to some of the other -- we

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2 want to cover all of the questions that we had posed --
3 most of these we've had some dialogue about. But I wanted
4 to make sure that we gave the audience an opportunity to
5 just to talk through any and all things.

6 Actually, I think go back one more, where you
7 were. Okay. We've kind of touched on this.

8 What changes to the Arizona siting process are
9 needed to eliminate the chicken-and-egg problem associated
10 with renewable transmission projects?

11 We talked about -- wait, should the concept --
12 oh, need -- we talked about need. Does anybody have any
13 other thoughts on need and changes need or how the
14 Commission should look at need?

15 That's going to need some work. We still need
16 to have some words on the page.

17 Oh, Laurie, an attorney, of course. Wait.

18 CHMN. MAYES: Not just any attorney.

19 MS. ORMOND: Please.

20 CHMN. MAYES: The attorney on these issues.

21 MS. WOODALL: Thank you.

22 I keep hearing people say that the concept of
23 "need" must be changed. And I have to tell you in the
24 31 cases that I've presided over, when I was the chairman,
25 I always wondered what does "need" mean? What is the

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2 standard? And we've never had one.

3 So to say -- talk about changing the concept of
4 need, I think is unnecessary.

5 It's always been the case that the Commission
6 has the responsibility to balance the, quote, need for an
7 adequate, economical, efficient, reliable electric power
8 against the environmental harms. And that leaves it up to
9 the Commission to decide, I think, on a case-by-case basis
10 whether or not need has been demonstrated.

11 There's nothing in the statutory scheme that
12 talks about need, other than the phrase that I just talked
13 about -- and that's a balancing test. There's nothing in
14 the regulations that say that there has to be any evidence
15 about need that's presented in the siting hearings.

16 So the idea that something about need needs to
17 be changed, I don't see how you would change it. It's
18 always been a decision that the Commission makes. And I
19 personally think it's in accordance with your judicial
20 aspects of your power, as opposed to your legislative or
21 your executive, because you are weighing the facts in a
22 particular case.

23 And so, if the Commission, as a body, believes
24 that the need for an adequate, economical, reliable source
25 of electric power includes a consideration of the

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2 longer-term interests, that's something that you could
3 do.

4 Would -- would you be subject to challenge?

5 I -- I don't know. I mean, I'm sure there are
6 people who could file actions that would say that's not
7 what need means. Need means something different than
8 that.

9 CHMN. MAYES: Laurie, what -- what are your
10 thoughts about the -- the pre-acquisition of a CEC for a
11 line that -- for -- for a renewable energy transmission
12 line? Let's say we come up with three -- three lines, and
13 a utility decided to move forward with that, or -- or it
14 happened through some other means, how -- what are your
15 thoughts on that?

16 MS. WOODALL: Well, in order to comply with the
17 existing statutory and regulatory scheme, you're going to
18 have to submit certain specified information about the
19 corridor that you're going to ask for.

20 So you're going to have to define an area on
21 the earth where you think this line is going to go, and
22 whether or not you define that corridor in terms of two
23 miles, 1,500 feet, 3,000 feet -- I can't answer you that.
24 But you're going to have to have evidence about that
25 locale on the ground -- the biological studies, the

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2 environmental studies. And certainly, if the idea is to
3 grant a corridor designation -- because that's typically
4 what the siting committee does -- they say --

5 CHMN. MAYES: Right.

6 MS. WOODALL: -- you can build it somewhere
7 in -- within this distance, I don't see any problems
8 regarding that.

9 There have -- there is not a requirement in the
10 statute or the regs that the CECs have a time limit
11 associated with them.

12 That was something that was suggested by Staff,
13 and the 5-year time frame became -- I don't want to say
14 boilerplate -- but it became a traditional request that
15 Staff had. And under certain circumstances, the
16 applicants would say, really, for this project, we really
17 need a longer period of time, and this is why -- but they
18 don't expire.

19 There are CECs that were granted 30 years ago
20 that still authorize the construction of lines that have
21 not yet been built, and they don't expire and they can be
22 conveyed. So that would really be my thought about
23 pre-siting.

24 And -- and the only other thing that I would
25 bring up, is that since, traditionally, the evidentiary

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2 record, with respect to need, has been a utility saying, I
3 have customers that must be served and cannot be served
4 but for this line.

5 CHMN. MAYES: Right.

6 MS. WOODALL: You're going to have to have
7 another message that you communicate, not only during the
8 siting proceedings, but during the three or four --
9 however long it takes -- years of environmental
10 processes -- including federal NEPA processes -- to
11 explain what the need is or what the benefits are in a
12 much more broad other way.

13 And that is, I think, honestly, going to be the
14 challenge for you, because we all know it's a lot more
15 difficult to site lines than it is to do plants, because
16 lines affect more people.

17 And those would be my thoughts.

18 COM. NEWMAN: Madame Chair, to that point, it's
19 interesting -- need versus environmental harm.

20 I -- I'd like somebody to do some research on
21 this -- and maybe you or anybody -- you seem like the best
22 person -- one of the things that came to my attention is
23 that a lot of times on the east of the Mississippi River,
24 public utility commissions have in their charter not only
25 to take into account environmental issues when doing --

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2 making any of their decisions -- not only rate of return.
3 They actually have environmental issues in their rate
4 cases.

5 It's in -- in part of -- sometimes part of
6 constitutions, part -- part of the statutes in states.
7 You wouldn't believe around 23 states or something have --
8 have that in there.

9 So going to environment -- it seems to me that
10 we do need a new formula to come up with these three
11 lines -- or if we do more lines, only to the sweet
12 spots -- we do need to have a new definition. And this
13 committee that we have formed needs to help us do this and
14 our Staff needs to help it, because environmental harm
15 has -- has two meanings in this -- in this context.

16 Environmental harm -- we're stating, as we
17 would state if we're going to preselect these routes,
18 we -- we state, in order to avoid climatic changes, you
19 know, we need to do this, so the environment goes on to
20 the need side, as well as environmental harm side.

21 There actually needs to be a new -- sort of a
22 new formula.

23 Now, I'm a little bit worried that -- that you
24 would need a statutory change to do that, but I think,
25 under the same reasoning that you said, that that's part

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2 of our judicial balancing. In this case we need to take
3 the environment in the need side of the formula and in the
4 environmental side of the formula. So "environmental"
5 needs to be redefined in the context of creating these
6 renewable energy lines.

7 If we're going to have -- if this is going to
8 be reviewed, they're going to want to know, Well, why did
9 we set up these extra lines that will cost people so much
10 more extra money?

11 We're going to have to have a whole explanation
12 for that, of what environment needs in this case. Or am I
13 off the wall?

14 MS. WOODALL: The existing statutory scheme
15 specifies the criteria that the siting committee is
16 charged to look at.

17 There is one criteria that I've never
18 understood what it meant -- but it's called the, quote,
19 total environment of the area.

20 COM. NEWMAN: I know. I read that.

21 MS. WOODALL: And I don't know what that
22 means. I -- I will suggest, however, that you don't need
23 a statutory scheme in order to change your administrative
24 rules which specify the content of your -- the
25 application. And you could change your administrative

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2 rules to add another exhibit that must be attached to the
3 application.

4 So for example, if one of your
5 considerations -- and you didn't use the term -- but I
6 believe you're referring to greenhouse gas emissions --

7 COM. NEWMAN: Yeah.

8 MS. WOODALL: -- or climate change --

9 COM. NEWMAN: Yeah.

10 MS. WOODALL: -- or the like, you could
11 certainly have your rules modified and say, "We want
12 another exhibit that responds to this question." And
13 whether or not you are going to have the federal agencies
14 be including this as a part of their NEPA analysis, I
15 don't know. But if they are, the rules require that that
16 NEPA federal analysis be attached to the application.

17 And since we are envisioning here, I believe,
18 very long transmission lines, I -- I don't think we're
19 talking about lines that are, like, five or six miles
20 long -- my expectation would be that at some point there's
21 going to be some federal nexus or action that would be
22 required.

23 And with respect to your comments about other
24 states requiring a consideration of environmental harms
25 for other actions that they take, there are states that

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2 have their own environmental quality acts which are
3 basically mini-NEPA statutes.

4 COM. NEWMAN: Right.

5 MS. WOODALL: And for example, California has
6 the California Environmental Quality Act, and actions of
7 various state agencies must be in compliance with that.
8 So that's what I think you were alluding to.

9 Arizona does not have that. The closest thing
10 that we have is our siting statute. It's -- it was the
11 mini -- mini-NEPA act.

12 COM. NEWMAN: Yeah. And -- and my only comment
13 on that -- that that's sort of an anachronism of no one
14 doing anything about it.

15 I mean, in the 1970s, when people started
16 worrying about environmental things, I think the laws
17 changed with regard to public utility commissions.

18 But when it came to Arizona and maybe other
19 Western states, they just didn't want to look at it.

20 But I -- what -- and I'm not -- this is not a
21 power grab -- I'm not thinking about a power grab for the
22 Commission to say "okay" to other things.

23 But I just think that we need to be thinking
24 about that analysis being more than just the normal
25 environmental harm analysis -- meaning to big -- big --

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2 the big -- the rams or -- or desert tortoises. We're
3 talking act climate change, greenhouse gases. But that's
4 something that I could imagine that would be a very
5 interesting conversation in our full commission.

6 Don't you think, Madame Chairman?

7 CHMN. MAYES: Changing the rules -- it's also
8 going to be interesting, these days, with the potential
9 rule-making moratorium.

10 COM. NEWMAN: Yeah. We might not be able to
11 change the rules.

12 CHMN. MAYES: Yeah.

13 MS. WOODALL: And I'd also throw out that if
14 you're going to look at the environmental, that you also
15 consider what kind of policy statements or indicators can
16 you give from the bench --

17 CHMN. MAYES: Right.

18 MS. WOODALL: -- on export.

19 CHMN. MAYES: Yeah.

20 MS. WOODALL: You know? I don't know how you
21 put that in a CEC or in a document. But folks need
22 direction, because they're going to be spending money.

23 CHMN. MAYES: Laurie -- and I know you want to
24 say something here -- but is there anything in the statute
25 or in our rules that would get to the question that Tom

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2 raised about the need to meet the renewable energy
3 standard? Is there anything -- is there a catch-all
4 provision --

5 MS. WOODALL: No.

6 CHMN. MAYES: -- that -- that says the --
7 that --

8 MS. WOODALL: Not that I'm aware of.

9 CHMN. MAYES: -- rules -- the need to meet
10 certain rules or requirements of the state should be taken
11 into consideration? Okay.

12 MS. WOODALL: Not -- not that I'm aware of.
13 I -- I will say, though, that as a means for reflecting
14 the level of concern with respect to other environmental
15 issues, I know that the Commissioners, individually,
16 provided letters to the docket in certain line siting
17 cases in which they expressed their concerns and their
18 desire for information regarding specific topics.

19 CHMN. MAYES: Right. We've done that in the
20 past.

21 MS. WOODALL: And pending -- pending any
22 statutory change, formal policy statement by the
23 Commission as a body or changing of your rules, I would
24 just note that you have a past practice that could
25 potentially be implemented again.

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2 CHMN. MAYES: On a case-by-case basis?

3 MS. WOODALL: Yes.

4 CHMN. MAYES: Okay.

5 MALE SPEAKER: Madame Chairman, to

6 Ms. Woodall's point, the -- there -- there are nine
7 factors at 40-360 that she's alluding to -- the ninth
8 factor being the total environment.

9 And the closest thing that comes to your
10 question is the applicant shall have -- the proposed
11 action, if you would -- that's the NEPA term -- but the
12 proposed action, the -- the level of -- of compliance or
13 interference it may present with existing plans and things
14 of that nature -- I'm thinking -- and what comes to mind
15 would be general plans for a municipality or a county -- a
16 comprehensive planning document --

17 I know Pinal County, right now, is going
18 through that. The City of Casa Grande is going through
19 that. SunZia is in the middle of all of that, because we
20 want -- when we show up here, under -- for a CEC, we want
21 to represent that we're -- we're in compliance.

22 CHMN. MAYES: Right.

23 MALE SPEAKER: But -- but there's nothing in
24 there that says that if it's a utility -- not all
25 applicants are utilities that you regulate, under the

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2 siting statutes, first of all.

3 CHMN. MAYES: Right.

4 MALE SPEAKER: And we've been spending a lot of
5 time talking about how to incentivise utilities to build
6 these RTPs. We haven't spent any time talking about
7 how -- how merchants might be incentivised somehow.

8 And probably the only place that can really
9 happen is -- is through the siting process.

10 CHMN. MAYES: Okay. Greg?

11 MR. BERNOSKY: Greg Bernosky, with APS. And I
12 represent the Transmission Facility Siting Group for APS,
13 so a lot of these issues are pretty topical. And I
14 certainly appreciate and agree with a lot of the things
15 Laurie Woodall said.

16 I think one of the things to keep in mind, too,
17 is we're talking about, today, a paradigm shift, in terms
18 of how utilities are looking at renewable resources. And
19 a lot of the times, the cases that have come before this
20 Commission have dealt with the traditional load serving.
21 There's a Point A, there's a Point B. There's a need to
22 serve customers in that area.

23 What we've been talking a lot about is now
24 we're adding another element of policy in a portfolio that
25 we're trying to achieve.

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2 And I think that's an important point that a
3 lot of folks in this room recognize -- and utilities
4 recognize. But there are a lot of parties that are
5 impacted by that policy, and they may be people that
6 intervene in line-siting cases. They may be the developer
7 that's going out and getting site control for a large, you
8 know, footprint of a facility. They may be some of the
9 agencies or jurisdictions that have land management policy
10 that they're shaping.

11 And so the clarification and understanding
12 about that paradigm shift is important because these
13 siting cases are never easy, and they always involve a lot
14 of different inputs and perspectives.

15 And already you're seeing, even with the
16 article, we've -- we've talked a little bit about today,
17 where the BLM is getting a number of solar applications
18 made upon it -- even the folks that are environmental
19 advocates are saying, Hey, that's a saturation point that
20 we don't want to see hit because there's a lot of impact
21 associated with putting this type of resource down in --
22 in environmentally-sensitive areas.

23 And inevitably, with what you see when you look
24 at renewable resources, they are located in remote areas.
25 And that means you're putting down large pieces of

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2 infrastructure, in remote, otherwise undisturbed areas.

3 And now you're talking about bringing linear
4 transmission facilities out to those remote areas. It
5 changes the paradigm of what we think about of -- of need
6 and that -- and that balance of need in environmental
7 impact.

8 CHMN. MAYES: Yeah. Greg, I -- I agree with
9 that, especially when you're talking about BLM land. And
10 I disagree with it when you're talking about agricultural
11 land that's being flipped that might be along the I-8
12 corridor or the I-10 corridor. So I think you're right.
13 It's going to depend on the land-use application prior to
14 the proposed project.

15 But you're right, it is a -- it could
16 potentially be a paradigm shift. And I understand your
17 message, which is the growth -- the more clarity and
18 policy direction you have from the Commission, the better.

19 COM. NEWMAN: Yeah. And -- and I actually
20 think -- I really welcome your remarks. You're right.
21 They're what I was trying to say before. And so it -- it
22 seems to me that, as part of this process, we do -- we
23 need to be extremely clear what we're talking about with
24 these -- or renewable lines. And we have to have a whole
25 policy analysis of -- of what this is about, and that that

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2 needs to be a variable in this.

3 There may be people to -- that object to it,
4 and we're going to have to be judges and balance that
5 out. But we have to be very, very clear in the statement
6 of what these renewable lines do for the state on an
7 economic basis, environmental basis, and the climate
8 change basis, and all of that.

9 And we need to have Thomas Jefferson write it.

10 MR. ENOCH: My name is Nick Enoch. I appear
11 before the Commission, regularly, on behalf of various
12 locals of the International Brotherhood of Electrical
13 Workers. They represent thousands of workers, actually,
14 at the major utilities in the state, as well as the folks
15 who -- a unionized work force that builds transmission
16 lines, as well as construction workers.

17 And one of the groups who is -- I don't think
18 intentionally, but was -- but was omitted are the
19 employees of -- of this industry.

20 And the one thing that always strikes me when
21 I -- when I hear these discussions is -- especially when
22 it comes up with this cost recovery for export -- which
23 is, if we are going to make a policy in this state that we
24 want to develop this industry, really, for export
25 elsewhere, then I think that the -- the interests of the

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2 employees of this burgeoning industry should be first and
3 foremost.

4 And getting -- about an hour ago you asked for
5 a hook. What is the hook that you would -- you would
6 use? One of the hooks you could use is -- and I'm sure
7 you are familiar -- but the constitution talks about
8 employees and patrons of the state of Arizona. If, in
9 fact, that is --

10 CHMN. MAYES: -- of public service
11 corporations.

12 MR. ENOCH: -- of public service
13 corporations -- is -- is one of the Commission's primary
14 objectives is to look out and -- and preserve the comfort
15 and safety and health and preservation of that group.
16 Then is it really unfair to tell the people this -- the
17 broader public in the state of Arizona that, you know
18 what, this is a growth industry, and it -- and it should
19 be subsidized to some extent.

20 And you know, we build football stadiums. We
21 build terminals onto -- onto the airport. We build
22 convention centers. We subsidize private development.

23 Why -- if -- if we're making a decision now,
24 from a policy standpoint that we're talking about -- not
25 just producing for instate use but to export, why would we

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2 not, using in my -- for my constituents, the language of
3 employees of public service corporations -- but more
4 broadly speaking, say that maybe everybody else is --
5 is -- should be more on the hook?

6 FEMALE SPEAKER: That's a good point.

7 MALE SPEAKER: Very good point.

8 FEMALE SPEAKER: Yeah. Great. We should end
9 on that note, but we're not going to.

10 (Laughter.)

11 CHMN. MAYES: Well, you keep talking about how
12 we're going to get out of here early, Amanda.

13 MS. ORMOND: I know. We are going through our
14 last slide -- our last slide. Okay?

15 CHMN. MAYES: Oh, okay.

16 MS. ORMOND: And thank you, everybody. I
17 apologize for not giving you a break.

18 So we wanted to talk about what next.

19 And I think Brad had in his slides that the BTA
20 process, itself, which is a biennial process, works.

21 That -- that it -- that it's facilitated a lot of good
22 information gathering and -- and movement forward.

23 And so should we still continue to use this
24 process?

25 Yes? No? Maybe? That's kind of the question

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2 before you.

3 The chairman is shaking her head. Okay.

4 CHMN. MAYES: Yes.

5 MS. ORMOND: Oh, that was a yes. I thought
6 that was a no. Okay.

7 CHMN. MAYES: Oh, I think so, for sure. I
8 don't know what everybody else thinks, but --

9 MS. ORMOND: And -- and one of the things that
10 I've just noted from being involved is that there's a
11 little bit of a schism between, Is this a SWAT process?
12 Is this a Commission process? Where does that line get
13 drawn?

14 Maybe we shouldn't ever bring that up, but the
15 dynamic we have right now is that some of this work feeds
16 up to SWAT.

17 So -- and is that -- is that okay? Is that
18 working?

19 CHMN. MAYES: Well, I -- I think --

20 (Laughter.)

21 CHMN. MAYES: Yeah. Well, and I appreciate
22 Tom's attitude toward this.

23 You know, this is a Commission process. This
24 started with our Biennial Transmission Assessment. It
25 started with an amendment that I filed --

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2 MS. ORMOND: Right.

3 CHMN. MAYES: -- that my colleagues passed.

4 And this is an -- the Arizona Renewable
5 Transmission Task Force, and within it the ARRTIS
6 process. And I am pleased as punch that SWAT has decided
7 to adopt our process up into it, but it is first and
8 foremost, an -- a process of the Arizona Corporation
9 Commission that is being led by industry.

10 And you are going to report your results to
11 these Commissioners, and then we are going to make some
12 hard decisions, based on the -- your work product.

13 And -- and I'm -- and I think it's great that
14 SWAT has adopted it because I think, you know, hopefully
15 it can -- can expand out and be used by SWAT.

16 And we certainly know that the federal
17 legislation out there is -- is going to probably promote
18 regional processes for a lot of different kinds of
19 decision-making.

20 But that's my view of it. And I don't -- I
21 don't think there's really any question about it, and I
22 think it's been a fantastic workshop.

23 And I really thank everybody here who has
24 worked so hard on it and the -- and the subgroups, as
25 well.

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2 MS. ORMOND: Wait, we're not quite done.

3 CHMN. MAYES: Okay. That --

4 MS. ORMOND: I'm trying to -- it did. I'm
5 sorry.

6 CHMN. MAYES: It was kind of like a valedictory
7 sort of speech.

8 MS. ORMOND: You can just say stop, and I'll go
9 away.

10 CHMN. MAYES: Okay. No. That's okay.

11 MS. ORMOND: But the -- part of it -- you
12 touched on it. The BTA is an Arizona process, and it's a
13 very successful Arizona process.

14 We -- we talked a lot about California. And --
15 and in the SWAT, at least we're talking in New Mexico, and
16 we've got the little piece of California, we've got this
17 little piece of Nevada.

18 But what do we need to be doing in a more
19 regional context to make our process work? Because we
20 can't draw a line to the border and then just have them
21 stop. So what do you all see as -- as processes that can
22 help facilitate what we need to do here, going forward?

23 COM. NEWMAN: With -- with regard to -- you
24 know, I appreciate the comments about the employees and --
25 and another -- another justification for what we're doing,

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2 because I do agree with that. It was not -- not on the
3 top of my list, but it is -- it will be now.

4 But I wanted to answer your question directly.
5 Just in passing conversations with other new commissioners
6 and -- and commissioners that have been on -- on their
7 respective public utility commissions, I made contact with
8 the -- we -- we -- well, Kris has made more contacts
9 because she's been here longer.

10 But there had been some discussion of -- of
11 actually the Commissioners -- no, somebody having a
12 meeting of some of the Commissioners of the Southwest --
13 interested parties -- we wouldn't force all the
14 commissioners to attend.

15 But we can have a conversation. There's
16 nothing in the constitution that doesn't allow us to talk
17 to the Nevada commissioners or the California
18 commissioners or the New Mexico commissioners about -- or
19 Utah commissioners about this process.

20 So -- so anyway, I -- I'd like to see some
21 dialogue, to -- to be able to do that. We're on very
22 limited budgets, all of us, and a lot of time
23 constraints. But that -- that would be helpful. And
24 it's -- it's because -- that -- that would be helpful.

25 FEMALE SPEAKER: Okay.

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2 COM. NEWMAN: The other thing that would be
3 helpful is -- well, actually, just this -- I can't even
4 believe this group exists, because you really are acting
5 as a very good advisory capacity. We -- we don't have too
6 many real folks here, noninterested parties.

7 (Laughter.)

8 MALE SPEAKER: Commissioner, if there's anybody
9 like that in here, then we can refer them to proper
10 medication (indiscernible).

11 COM. NEWMAN: But it -- it would -- it would be
12 helpful. And in -- in a sense, the Commissioners do this
13 by lay -- you know, talking to our constituents that we're
14 trying to do this regional process and things.

15 But it seems to me that some of the
16 environmental concerns that are over -- overwhelming here
17 on -- on whether we build transmission lines and where we
18 build them and -- and all -- there should be some
19 stakeholder, environmental group within this group, as
20 well, at least so they could speak up, air their concerns
21 early.

22 Perhaps we can find some -- some leveling, some
23 centering in on some -- some common goals, without anyone
24 giving up a right to later object at a -- at a timely
25 basis. But that -- that is something else that I would

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2 like to see, and it could prevent a lot of fights later.

3 MS. ORMOND: Okay. Commissioner, to that
4 point, when we were finishing up the ARRTIS process, part
5 of the stimulus funding -- I put in a request to the
6 Governor's office to have the state land funded to accept
7 the ARRTIS data, and then move forward with a -- with
8 another process to -- to finish and try to work on some of
9 that environmental.

10 My understanding is that that will be a funded
11 process, so we will be able to have that separate, kind of
12 state-led. And part of the reason to is to keep the data
13 fresh, because certainly it's been a point-in-time type
14 thing.

15 So there will be some other works going on,
16 that, obviously, you know, we -- we don't feel -- we don't
17 know what the form and fashion and how that's going to be
18 shaped, but when -- if we get confirmation, the money will
19 be coming back here to say, What do you think needs to be
20 done next? And have a stakeholder process there.

21 COM. NEWMAN: And then the third thing I was
22 just going to say is -- is something that we had just
23 heard through the grapevine too. Whatever the federal
24 legislation is regarding FERC powers, with regard to these
25 kinds of issues -- how, you know, what kind of time line

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2 that is, you know, we have -- we have to be right ready
3 to -- to engage.

4 And actually, that might be sooner than later,
5 because I -- I -- I don't necessarily think that that's
6 going to be part of the whole cap-and-trade model. They
7 may just try to do FERC changes, you know, in a -- in one
8 piece that's not part of the cap-and-trade debate, because
9 they need somebody starting to -- to plan these
10 transmission lines, and -- very early.

11 And I know it's a high priority of the
12 administration, probably of -- of -- of Congressman Waxman
13 and others.

14 So -- so what I see -- so we also -- that's
15 what I'm trying -- what I'm trying to say is that we need
16 to be ready pretty soon -- not later, not -- not like a
17 cap-and-trade deadline, to start working with FERC on this
18 regional process.

19 But I wouldn't mind, in the meantime, that we
20 start meeting with some commissioners to talk about this
21 that could help smooth out everyone's operations, you
22 know, throughout the Southwest.

23 MS. ORMOND: And Madame Chairman, I'll give you
24 the last word.

25 I just wanted to ask if anybody else had last

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2 comments that they wanted to make?

3 MALE SPEAKER: Commissioner Newman, I -- I
4 agree with the direction you've just indicated.

5 Since Rob Kondziolka is not here, I would like
6 to speak about SWAT for a second.

7 I think what you're achieving through the
8 workshops here at this Commission would not be occurring
9 to the -- with the degree of success that you're having,
10 but for SWAT being organized as a -- as a subregional
11 group to take on the larger issues.

12 What is missing right now, and a little bit of
13 a stumbling block for the R -- RTPF, from a technical
14 study perspective, is it's difficult to get neighboring
15 states to engage in that study process. And part of that
16 is because of the state-oriented mindset about renewables
17 in each state.

18 We've heard a little bit of the comment today
19 about some of the views in Nevada are a little different
20 than they are at this Commission.

21 So to agree that -- that the Commissioners can
22 have conversations with neighboring states to find a way
23 to find a forum that can enable the subregional context to
24 be addressed, it would be most helpful.

25 This commission Staff has been engaged in the

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2 SWAT process from the very beginning and is very active.
3 That is not true for the -- the commissions from the
4 neighboring states.

5 We do have, occasionally, folks from the
6 New Mexico commission engaged, but typically, we do not
7 have people from Nevada or California involved in those
8 processes.

9 So to agree you can take those steps, I think
10 it would be helpful and it would enable the study work
11 that SWAT's already trying to move forward on, move ahead
12 more effectively.

13 MS. ORMOND: All right.

14 MALE SPEAKER: I have one comment on creating a
15 need.

16 If you take your signal that you made this
17 morning, Commissioner, of 25 percent renewable, and add to
18 it the phrase, It's got to be in this state, I think
19 you'll create quite a need.

20 COM. NEWMAN: That's true too.

21 MS. ORMOND: Except for the U.S. Constitution.

22 CHMN. MAYES: Yeah. And that's the problem,
23 you know. And I -- and I -- you know, that's -- I -- I
24 think that's -- that's highly problematic. And you know,
25 and that's -- that's coming from a Commissioner who has

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2 been all over APS for buying renewables out of state.

3 You know, I -- I have evolved in my thinking on
4 this issue to some degree -- maybe I've grown -- I don't
5 know, whatever it is. But I still believe in building
6 renewable energy projects in Arizona. I'm a strong
7 advocate of that.

8 But California's legislature is currently
9 considering AB-64, which would prevent California
10 utilities from purchasing out-of-state renewable energy.

11 If each of our states decided to close off our
12 boundaries, we're not going to do any renewable energy in
13 this country. I mean, it's ridiculous. What California
14 is doing is ridiculous, and it would be devastating to
15 Arizona's renewable energy future, as well as every other
16 state in the West, in addition to completely eviscerating
17 their own -- their own ability to meet their 33 percent
18 standard, so -- and it would put the kibosh on any
19 interstate lines that we -- we might build.

20 I mean, I don't know what-in-the-world purpose
21 there would be in building Devers-2 or whatever --
22 whatever future version of their -- of that emerges, if
23 California's legislature decides to prohibit their
24 utilities from buying out-of-state renewables. It's just
25 absurd. So for us to do that, I think would be not -- not

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2 a good idea.

3 And so Amanda, do you want to -- is there other
4 additional comments?

5 Prem, do you want to say something?

6 MR. BAHL: I -- I thought I should have the
7 last word.

8 CHMN. MAYES: Okay.

9 (Laughter.)

10 CHMN. MAYES: You shall have the last word,
11 Prem.

12 FEMALE SPEAKER: (Indiscernible) all day.

13 CHMN. MAYES: You deserve it; you deserve it.

14 MR. BAHL: I've been a good listener today.

15 CHMN. MAYES: How are you?

16 MR. BAHL: Amanda, to answer your question is,
17 is this the last of the effort that we have -- and I'm
18 sorry -- the last of the effort we have done here or
19 exhibited here today through this workshop -- very good
20 workshop?

21 My answer to that would be, no, this is not the
22 last of the effort. We need to not only define what we
23 have arrived at so far, but also continue further in our
24 steps.

25 And by -- by the time you have produced that

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2 report by October 31st, then some analysis will be done by
3 the Commissioners, some decisions will be made at the next
4 BTA. And some -- I'm -- I'm foreseeing some more that
5 would come out of this effort.

6 If I -- when I look at the rule, I look at the
7 order. It states that the utilities -- either alone or in
8 cooperation with other interested utilities -- shall
9 develop plans to identify future renewable resources
10 transmission project. So "future" means that it's not
11 defined here -- there's no time frame defined here.

12 But I'm -- I'm guessing every -- every year,
13 every two years, we do the BTA, the Biennial Transmission
14 Assessment. We go ten years further. And definitely, we
15 are going to learn from this process, learn from what we
16 have arrived at so far.

17 And I'm sure there will be many other factors
18 as you -- as you -- all of -- all of you Commissioners
19 have stated before, what the federal legislation is going
20 to do to this renewable effort. And we'll only dovetail
21 our effort with the federal effort and go from here.

22 And I think we are making progress and we'll
23 continue to make progress. That's my hope.

24 Thank you.

25 CHMN. MAYES: Prem, and I agree with that.

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2 I hope this does continue to be a -- a main
3 facet of all -- of all future BTAs.

4 And I want to acknowledge the fact that I would
5 not have written that amendment -- I would not have known
6 to write that amendment if it weren't for the Staff
7 recommendation in the BTA process in, I think, 2006.

8 MR. BAHL: Yeah.

9 CHMN. MAYES: 2006. And Staff recommended that
10 we do -- that we identify renewable energy zones and
11 renewable transmission lines.

12 So thank you for all of your efforts.

13 Okay. That it?

14 MS. ORMOND: Any last comments?

15 Okay. Chairman?

16 CHMN. MAYES: Oh, that's it.

17 I mean, thank you all for being here. Have a
18 great weekend. We'll see you next time.

19 MS. ORMOND: Thank you.

20 MALE SPEAKER: Shalom aleicham.

21 (Electronic recording of the Joint Workshop
22 concluded.)

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