



# RTTF PROJECT FINANCE SUBCOMMITTEE



**Meeting No. 1**  
**February 18, 2009**  
Chairman: Tom Wray

# Welcome

- Please state your **name** and **organization**
- **Sign-In Sheet**
  - Please initial next to your name. If you are not listed, please fill in your contact information

# Agenda

- **SWAT~RTTF Overview**
- **Review of ACC BTA Order No. 70635**
- **Review of Project Finance Subcommittee**
  - Schedule (Timeline)
  - Scope
- **Deliverables**
- **Next Meeting**

# SWAT~RTTF Overview

- **Southwest Area Transmission (SWAT) Study Group:** Comprised of utilities and stakeholders engaged in collaborative transmission planning for the AZ, NM, NV and southern CA high voltage grid.
- **Renewable Transmission Task Force (RTTF):** Committee of SWAT tasked to:
  - 1) Identify renewable resource potential in the SWAT footprint.
  - 2) Conduct technical studies of transmission systems to interconnect potential renewable energy generation to load centers and the grid.

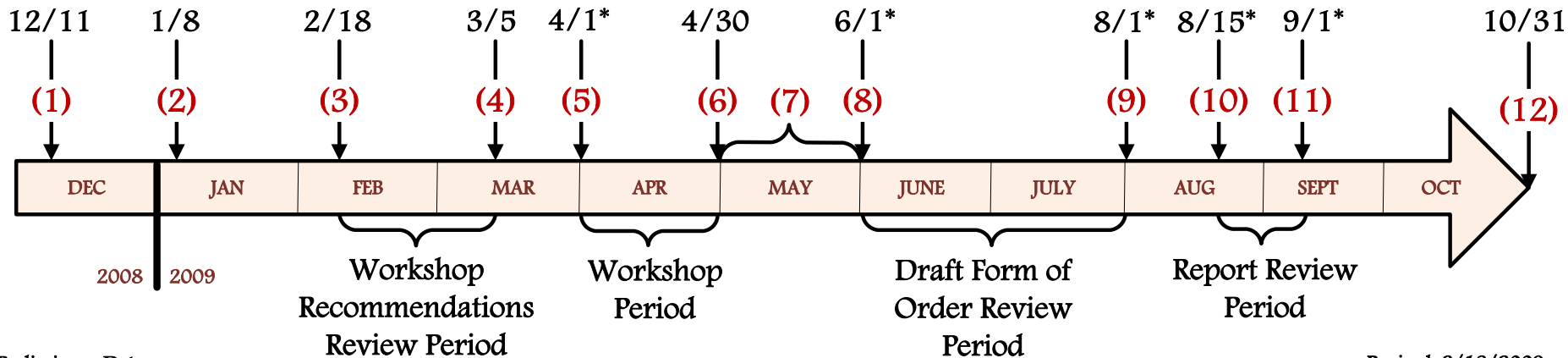
# Review of ACC BTA Order No. 70635

## Associated with Renewable Transmission Projects (RTPs)

1. Regulated utilities must update RTTF and WestConnect reports to supplement the BTA's RTP assessment (Page 6; Part 4.d.)
1. "...by April 30, 2009, conduct a joint workshop or series of planning meetings..." to "identify" and "finance" RTPs (Page 8; Lines 20~23)
1. Regulated utilities "...shall take the results of..." the "...SWAT Renewable Transmission Task Force..." and "...identify the top three..." RTPs within "...their respective service territories" (Page 8; Lines 24~28)
1. Regulated utilities shall file "plans and funding mechanisms" with the Commission "no later than October 31, 2009" (Page 9; Lines 1~5)

# ACC Order No. 70635: Project Finance Subcommittee Timeline

- (1) 12/11/08 ACC issues Order No. 70635
- (2) 1/8/09 RTTF creates subcommittees: a) AARTIS b) Project Finance
- (3) 2/18/09 Meeting No. 1: Define Scope; Schedule; RTP Definition; Deliverables
- (4) 3/5/09 Meeting No. 2: Finalize Workshop Recommendations
- (5) 4/1/09\* Submit Interim Report to RTTF
- (6) 4/30/09 End of Workshop Period per Order No. 70635
- (7) 5/09 Based on Workshop(s), RTTF reviews subcommittee scope of investigation
- (8) 6/1/09\* Meeting No. 3: Discuss and develop Draft Form of Order
- (9) 8/1/09\* Meeting No. 4: Conclude Review of Draft Form of Order
- (10) 8/15/09\* Issue Draft Report to Subcommittee
- (11) 9/1/09\* Issue Final Report to RTTF with recommended Form of Order
- (12) 10/31/09 Utilities respond to order No. 70635: "...funding mechanisms... shall be filed with the Commission no later than October 31, 2009..."



\*Preliminary Dates

Revised: 2/18/2009

# Scope

## Define: Renewable Transmission Project (RTP)

- 1.0 RTPs are not transmission projects whose primary function results in the following:
  - 1.1 Satisfies growth of jurisdictional peak load
  - 1.2 Mitigates service reliability problems
  - 1.3 Provides an operational convenience on the grid
  - 1.4 Constructed for purposes other than to access renewables to comply with a RES or for providing market export capability for renewables
  - 1.5 Other non-qualifying characteristics?

## Define: Renewable Transmission Project (RTP)

2.0 A transmission project is an RTP if:

2.1 The facility transmits “at least thirty percent of the electric energy” “...from renewable energy sources”.

[NMSA 1978 62-16A-2.D; RETA in New Mexico]

2.2 Other regional or national RTP definition examples?

## Define: Renewable Transmission Project (RTP)

### 3.0 Proposed working definitions for RTPs in Arizona

3.1 Project must demonstrate to the Commission that at least 50% of the WECC-rated line capacity is used or will be used by bona fide renewable power generators;

OR

3.2 Project would otherwise not have been proposed were it not for primarily providing transmission access to and delivery of bona fide renewable power generation

# Scope

Continued...

## 3.3 Notes to 3.0 (Proposed working definition for RTPs in AZ)

3.3.1 Rated capacity is measured in MW (not MWH)

3.3.2 Rated transmission capacity is that rating duly-established by WECC and posted as ATC

3.3.3 Capacity utilized is based on transmission service contracts filed with FERC

3.3.4 Prospective estimates of “renewable transmission capacity” to be utilized can be based on capacity options, interconnection queues or open season auctions

3.3.5 Compliance with the RTP definition can also be based on negotiated bilateral contracts for firm, conditional firm and interruptible capacity (point-to-point and network), as approved by FERC

## 3.4 Purpose and Need; Siting

3.4.1 The Commission will conduct a NOPR and promulgate rules regulating applications for obtaining RTP status

3.4.2 RTP status is conferred by Order of the Commission

3.4.3 The proof of purpose and need for an RTP as established by the Order, is incontrovertible and irrecusable and is deemed to be in the public interest by operation of the Order itself

- 4.0 Discussion of solicitations for and subscriptions of RTP capacity
  - 4.1 Open Seasons
    - 4.1.1 Deposits
    - 4.1.2 Credit Screens
    - 4.1.3 Culling and Re-bids
  - 4.2 RFPs
  - 4.3 Auctions
  - 4.4 Capacity Options
  - 4.5 Bilateral Contracts
  - 4.6 Emerging Trends at FERC

## 5.0 Cost Recovery and ROE Incentives

5.1 Utilities should receive pro-forma recovery of prudently-incurred costs of investigating RTP feasibility, including costs for:

5.1.1 Preliminary engineering

5.1.2 Technical studies

5.1.3 Survey and mapping

5.1.4 Preliminary ROW acquisition (ie: options)

5.1.5 Project formation and development activities

5.1.6 Project abandonment

- 5.2 The Commission should consider awarding utilities incentive ROEs for equity invested in successful RTPs, including those necessary to satisfy that utility's REST obligations, and for developing RTP capacity for exporting the state's renewable resources
- 5.3 The Commission should consider alternative capital structures associated with RTPs that might be proposed by utilities

# Deliverables

- Interim Report to RTF by April 1, 2009
- Provide workshop support during April 2009
- Subcommittee develops Draft Form of Order: June through August 2009
- Subcommittee issues Final Report and recommended Draft Form of Order by September 1, 2009

# Next Project Finance Subcommittee Meeting

- Meeting No. 2:
  - Thursday, March 5, 2009
  - 12:30 PM to 3:00 PM
  - APS Central Headquarters

# Subcommittee Contact Information

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