

**Southwest Area Transmission Group  
Renewable Transmission Task Force (RTTF)  
Project Finance Subcommittee**

1.0 Overview

The Project Finance Subcommittee has been established to provide recommendations to the full RTTF of a methodology of financing identified renewable transmission projects in Arizona, including rate recovery mechanisms for jurisdictional utilities that might be proposed to the Arizona Corporation Commission. The subcommittee's efforts are in support of an eventual response to the Fifth Biennial Transmission Assessment, as set forth in Docket No. E-00000D-07-0376 and addressed in Commission Order No.70635, dated December 11, 2008. Of particular relevance to the subcommittee's scope of investigation are statements found in the Order at page 7, lines 13 through 20 and page 8, lines 1 through 5, excerpts of which are reproduced below:

*"...the classic '**chicken or egg**' dilemma ..."*

*"...We **need a new process** to solve this dilemma."*

*"...require utilities and other stakeholders to ... **develop ways** in which new transmission **projects can be ...financed...**"*

*"...would develop plans to identify future renewable transmission projects and develop plans and **propose funding mechanisms** to construct the top three renewable transmission projects." [Emphasis added]*

The Order also provides the following deadlines for certain deliverables from jurisdictional utilities:

April 30, 2009: *"The workshop(s) shall be held no later than April 30, 2009."*

October 31, 2009: *"These plans and mechanisms shall be filed with the Commission no later than October 31, 2009 ..."*

2.0 Subcommittee Schedule

2.1 The Order contemplates those utilities subject to the Commission's jurisdiction must plan and conduct workshops prior to the end of April. Thus, this subcommittee should plan its work to conclude our investigation and recommendations by this deadline to allow the full RTTF to conduct a comment period with sufficient time to be incorporated into the April workshop. There is also a need to coordinate with relevant work being undertaken by the RTTF Arizona Subcommittee (ARRTIS) and its investigation of Arizona's renewable resource zones and the transmission facilities needed to connect these zones to the existing electrical grid.

### 3.0 Subcommittee Scope of Investigation

3.1 Establish a working definition for a "Renewable Transmission Project (RTP)";

3.2 Review methods of securing project participation in RTPs, including open seasons, requests for proposal, bilateral contracts, auctions, transmission capacity options, etc;

3.3 Develop a standard procedure for utilities to accumulate costs attributable to preliminary engineering, technical studies, survey work and investigation, permitting and rights-of-way acquisition in support of RTPs, which become eligible for rate-based cost recovery by order of the Commission;

3.4 Review procedures whereby incentives are available to utilities participating in RTPs, including the ability to earn a higher rate of return on equity invested by the company's shareholders; and,

3.5 Investigate the applicability of alternative capital structures for both construction and operating period financing.

### 4.0 Subcommittee Deliverables

4.1 Provide agendas and minutes of all meetings.

4.1 Prepare and issue a report of findings and recommendations to the full RTTF no later than April 1, 2009.

{As of: 2-6-09.}