

Black Forest Partners



To: Southeastern Arizona Transmission Study (SATS)
From: Black Forest Partners

April 8, 2010

Subject: Proposed SATS Southline Study Sub-Group

Black Forest Partners introduced The Southline Transmission Project ("Project") into the regional planning process at the WestConnect Steering Committee in October 2009. The purpose of the proposed line is to collect the substantial renewable resources in Southern New Mexico and Southeastern Arizona and connect them to the major markets in Arizona and potentially California, in the most efficient and economic way that minimizes siting challenges and land use disruption. A route had been identified for a new build segment from Afton to Apache, and Black Forest sought guidance on potential paths in Arizona where the line could work with regional transmission owners to upgrade existing lines in order to reach the Palo Verde market hub. The Steering Committee suggested the Project get involved with the SWAT and SATS groups to further evaluate existing capabilities and planned projects.

Black Forest made presentations to SWAT and SATS in November 2009 and solicited feedback from various stakeholders at these meetings and at the annual WestConnect planning meeting. Through this iterative dialogue, Black Forest decided on a potential path and commissioned a preliminary technical study in December 2009. The results of this study were presented to SATS in January 2010, with the presentation published on the WestConnect website. Given the line flow, voltage, and n-1 contingency results determined in the study, the logical best next steps are to individually contact the regional transmission owners.

As the first points of potential interconnection, Black Forest met with Tucson Electric Power Company ("TEP") and Southwest Transmission Cooperative ("SWTC") in February 2010. Based on feedback from TEP and SWTC, a direction was chosen for the Project to become involved with Western Area Power Administration's ("Western") upgrade of their 115kV line to double-circuit 230kV as an alternative to the studied route from Apache to Bicknell. Black Forest agreed, given the desire to find solutions that will encourage the maximum participation and interest.

Meetings were arranged in March 2010 to assess the ability to integrate Project into the needs of the existing and planned facilities in an effort to create capacity to collect and deliver renewables from Apache to Palo Verde. Specifically, a meeting was arranged with TEP, SWTC and Black Forest with Western to discuss the Apache-Saguaro upgrade. Meetings were also arranged with SRP and APS to obtain their input and learn about activity from PV to Saguaro.

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Based on feedback received from these meetings, Black Forest believes the best next step is to undertake a comprehensive study to determine what facilities are needed to integrate the Project into the interconnected transmission system. The consensus from the meetings was that this study should be managed under the auspices of the SATS group, recognizing that there will need to be close cooperation with the CATS, NM and CRT groups.

Black Forest suggests a sub-group of SATS be formed for this proposed joint study. As project sponsor, Black Forest anticipates that it will fund and lead the study, but is open to others participating in such funding. Black Forest does, however, think it is important to have wide-spread involvement in order to get meaningful, fair and transparent results. Black Forest proposes that the study be open to anyone willing to review, comment, and contribute data, time and effort. Black Forest envisions three levels of interaction of interested parties: 1) a principal (funding) participant 2) a co-operating sub-group member 3) a public reviewer of results and conclusions.

The purpose of the study will be to integrate the Project with the various existing and other conceptual projects in the area to determine the most effective means of meeting policy driven Renewable Portfolio Standard (“RPS”) objectives in the most reliable, cost-effective and efficient manner. The route to be studied is a result of the combination of plans that have been publicly filed and discussed in the Arizona Corporation Commission (“ACC”) Biennial Transmission Assessment (“BTA”) process or through open public SATS meetings. Specifically, the study would include:

- 1) The Southline Transmission Project (Afton to Apache)
- 2) Western Apache-Saguaro 115kV upgrade
- 3) Southeast Valley (PV to Saguaro)

We believe there is an opportunity to improve system reliability and further enable renewable resource development in the New Mexico/Arizona area through a solution that maximizes benefits to as many parties as possible. We look forward to working with SATS and finding solutions.

Best Regards,

Doug Patterson
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