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May 31, 2011

Re: Docket No. 11-IEP-1D Reliability

Commissioners:

TransWest Express LLC (TWE) submits the following as Public Comments into the California Energy Commission's (CEC) 2011 Integrated Energy Plan proceedings on "Improving Techniques for Estimating Costs of California Generation Resources."

TWE appreciates the opportunity to comment on the subject of estimating costs of resources and hopes its feedback will aid the CEC in preparation of its final Plan report and, above all, for California to meet its needs with resources that fit the best and come at the lowest cost.

The TransWest Express Transmission Project (TWE Project) is a 3,000 MW, 600 kV direct current electric transmission system that will begin in south-central Wyoming, extend through northwestern Colorado and central Utah, then end in southern Nevada's Eldorado Valley where interconnections into the California grid are available. Under development since 2005, with an expected in-service date in 2016, the TWE Project will deliver Wyoming's world-class wind resources – which are both high-capacity and cost-effective – to support California's plan to add 54 TWh of renewable energy supply by 2020.

In 2010, Western Area Power Administration (Western) and TWE announced an agreement where Western may own up to 50% of the TWE Project. Through Western's Transmission Infrastructure Program (TIP), Western may invest up to \$1.5 billion to own one-half of the TWE Project. Similar to the role it had in California on the Path 15 upgrade, Western will provide environmental analysis, permitting, land acquisition and other development services to support the TWE Project.

The TWE Project, like the major transmission infrastructure investments of the 1970's and 80's that brought significant benefits to California from the delivery of out-of-state energy resources, will give the Southwest an unparalleled opportunity to access the highest-quality renewable resources in the U.S. More information can be found at www.transwestexpress.net.

Over the past 40+ years, imports of electricity into California from throughout the Western Interconnection have resulted in the reliable, efficient delivery of thousands of megawatts of electricity to serve California customers. Californians are paying significantly less for their electricity, and California's economy has benefitted significantly as a result of its planning and practices that facilitated energy imports. Wyoming wind energy can continue that tradition.

In 2008, the Western Electric Industry Leaders (WEIL) Group commissioned a regional resource and transmission analysis that identified regional benefits from expansion of the regional transmission system to access remote resources to serve California. There have been several reports on similar analysis that has found similar results.

In 2009, the Western Electricity Coordinating Council (WECC) sought and was awarded a \$14.5 million grant by DOE to develop 10-year and 20-year region-wide transmission plans for the Western Interconnection. The first 10-year plan will be delivered to DOE in November 2011. This plan is being developed in an open stakeholder-driven process overseen by WECC's Transmission Expansion Policy Planning Committee (TEPPC). California utilities, regulatory agencies, and the CEC have been active participants in this process. The CAISO and the California Transmission Planning Group (CTPG) are both represented on TEPPC as sub-regional planning groups.

Although a draft of this Regional 10-year Transmission Plan has not yet been released, the study program that will drive this plan is nearly complete, and preliminary results have been widely disseminated. TEPPC's study program included a number of study cases where potential future renewable resources assumed to be developed in California were replaced with renewable resources developed in other sub-regions within the west. **These study cases indicate that substantial savings can be achieved by accessing higher-quality, lower-cost renewables outside of California.**

For example, replacing 12,000 GWh per year of the lowest ranking California renewable resources (a mix of solar, wind and biomass) with an equal amount of energy from high-quality Wyoming wind resources, delivered by the TWE Project plus additional combustion turbines so that the Wyoming portfolio's capacity value is equivalent to the replaced California resources, **would reduce the cost of this block of resources by approximately 40% compared with the costs of developing these resources in California.** Although the Wyoming resource development scenario showed the greatest savings over California resources for the 12,000 GWh per year cases, the out-of-state resource cases incorporating high-quality wind resources in Montana, New Mexico and Wyoming resulted in savings of \$400M to \$750M per year.¹

¹ Figures from the TEPPC Interim Study Report, Draft, TEPPC 2010 Study Program Report of Updated 2019 Studies posted May 11, 2011.

http://www.wecc.biz/committees/BOD/TEPPC/05241102/Lists/Minutes/1/Draft%202019%20Study%20Report_11May_clean.docx

This report and the underlying assumptions continue to be reviewed by TEPPC and the Technical Analysis Subcommittee. Although the results may change as a result of this review process, recent information presented to TAS shows significant savings from the Wyoming wind portfolio cases under a broad range of assumptions about the quality of the Wyoming wind resource and the cost of transmission to deliver these resources to California.

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Achieving California's RPS goals of 33% by 2020 entirely within the state will be extremely difficult, and there are several studies available stating it may not be possible. In any event, there will be significant resources available from out-of-state that complement California load requirements and will be economically beneficial to consumers.

Finding improved techniques to estimate the cost of generation resources is a very important aspect of sound Integrated Energy Planning. Staff members from the CEC, the CPUC, the CAISO and other stakeholders involved in reviewing the regional planning study work performed by WECC have identified the need to reconcile the generation cost estimates from the state and regional planning processes. Of particular interest are the areas and technology that have a potential cost advantage, even with the added cost of transmission to deliver these resources to California, over California resources. **The WECC's preliminary studies have identified Wyoming wind resources as the least cost alternative of the various areas studied.**

In considering improved cost estimation techniques, the CEC should:

- Consider factoring in the applicability of these alternative techniques to estimating resources over a broad range of technology and geographic areas.
- Include Wyoming wind resources identified within WECC's regional studies as part of any cost estimating exercise of generation resources. This reconciled information would be very helpful within the regional and state planning processes.

TWE looks forward to further interaction with the CEC on these matters and requests consideration of these comments. Please contact David Smith, Director of Engineering, TransWest Express LLC at david.smith@tac-denver.com with any questions.

Sincerely,

A handwritten signature in cursive script that reads "David F. Smith".

David Smith