



California Wind Energy Association

July 10, 2009

Clare Laufenberg-Gallardo
Strategic Transmission Planning
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Wind Industry Comments on the RETI Phase 2A Draft Report

Dear Ms. Laufenberg-Gallardo:

The wind industry would like to share its comments on the RETI Phase 2A draft report, following discussions with our stakeholders during the comment period.

There are several aspects of the Phase 2A draft report that we believe have greatly improved the focus of RETI. At the same time, there are several critical shortcomings that need to be addressed to enable the wind industry to support the final report and continue participating in the RETI process - most of these are carryover issues from Phase 1B.

We are in strong agreement with RETI's direction in areas 1 and 2 below and would recommend that RETI also address the third area:

1. Identifying "least regrets" backbone transmission upgrades that not only would be utilized by renewable resources under a variety of scenarios but would also contribute to the general welfare of the California and WECC power grids.
2. Developing greater coordination among California transmission planning authorities, the CAISO and its participating transmission owners (PTOs), and publicly owned utilities (POUs) to optimize backbone transmission development between their systems. Such coordination will prevent duplication of unnecessary transmission assets and as a result reduce the upfront cost to generators, ultimate costs to ratepayers, and impacts on the environment. In this regard, it is critical that RETI direct its attention to the defined "transmission projects" which simply consist of a collection of "collector lines." These projects have been defined solely based on the objectives of their sponsors. We can and should combine individual components from these projects and create a California-wide transmission plan that would allow optimal integration of renewable resources from all in-state CREZs and out-of-state development areas identified by RETI.
3. Eliminating transmission rate pancaking for renewable energy in California, at a minimum, and at the WECC level ideally. On this item, it is important that the California load serving entities buying

renewable energy pay only a single transmission charge for use of lines operated by California balancing area authorities. This should not be limited to renewable resources located within CREZs, but should be a state policy for all renewable resources on these lines.

The wind industry wishes to express its significant concerns in the following issues, which must be addressed in order for the wind industry to support adoption of the Phase 2A report and to continue its participation in the RETI process:

1. Footprint: The portrayal of the revised CREZ environmental rankings uses only the methodology proposed without consensus by the Environmental Working Group (EWG) in Phase 1B, using 100% of the wind lease area in four of the five scoring criteria that incorporate area as a factor. This is both contrary to actual impact as well as our agreement with the EWG co-chairs. Given the lack of consensus during Phase 1B on this issue, the methodology proposed by the wind industry, where the actual ground disturbance of wind projects would be used for area calculations for all but the Important Bird Area criterion, was also shown in the 1B report, together with an explanation. This compromise agreement from the 1B report must be carried over to the Phase 2A final report.

2. Uncertainty: Policymakers who are not familiar with the details of the RETI report might not be aware of the level of uncertainty inherent in the assumptions and the underlying calculations used to develop economic or, for that matter, environmental scores for a CREZ. In order to prevent misunderstanding and misapplication of RETI results, it is imperative that at least the economic uncertainty be incorporated into the CREZ resource bubble chart as a band around the results. The Phase 1B report did portray that uncertainty in a graphical format, which was referenced in the Executive Summary. However, due purely to administrative reasons, the Phase 2A report does not present the uncertainty in the CREZ score results. It is essential that this be done so that readers are not misled.

3. Baja: In Phase 1B, wind stakeholders indicated to RETI that there are additional wind resources that RETI had not incorporated. These resources are being actively developed, with generator interconnection being studied by the California ISO, and should be included in the Phase 2A report.

4. Tax impacts: Major changes to the tax treatment of renewable energy projects occurred early in 2009 with the passage of the American Recovery and Reinvestment Act (ARRA). In order for RETI results to be acceptable, the revision of CREZ economics needs to incorporate these tax code changes. However, despite repeated requests from generator representatives, due purely to administrative reasons, this has not occurred yet. At a minimum, Phase 2A report must prominently and explicitly state that the CREZ economic data will be updated to incorporate the tax code changes stemming from the ARRA in the Phase 2B report. The report must also indicate that such a provision can cause various CREZ to have significantly better or worse economic scores than in the current report.

Finally, here are some observations regarding RETI in general and Phase 2A in particular:

1. Various assumptions and data underlying CREZ identification and rankings have evolved from those that went into Phase 1B, and we know further refinement will be constantly necessary as technologies and circumstances evolve. The incorporation of the new tax code, for example,

will change CREZ data in a significant manner. Hence, we should not try to pick winning CREZ areas today or at any time. Instead, we should focus on building transmission projects that will facilitate development in as many CREZs and out-of-state resource areas as possible.

2. Given that transmission cost is a fraction of overall resource cost, we should not be penny-wise and pound-foolish when it comes to transmission development/investment. So while it is important to pick the least cost transmission solution for RETI, we should focus more heavily on the energy content that a transmission project will provide the state.

We look forward to working with the RETI coordinators and reviewing the Phase 2A final report.

Sincerely,



Dariush Shirmohammadi
Transmission Advisor, California Wind Energy Association
Wind Industry Representative, RETI Stakeholder Steering Committee