

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



ARIZONA CORPORATION COMMISSION

Brian McNeil
Executive Director

Direct Line: (602)542-3935
Fax: (602)542-0762
E-Mail wmundell@azcc.gov

November 20, 2007

Via Facsimile 202-586-4403, email: The.Secretary@hq.doe.gov and U.S. Mail

The Honorable Samuel W. Bodman, Secretary
United States Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

RE: Southwest Area National Interest Electric Transmission Corridor Designation
Docket No. 2007-OE-02

Dear Secretary Bodman:

I was surprised by how quickly the Department of Energy ("DOE") issued its report designating two national interest electric transmission corridors, particularly the Southwest Area National Corridor, considering we only had the public comment meeting in Arizona about three months before the DOE report was published in the Federal Register. Curiously, the only difference between the draft and the final Southwest Area National Corridor was the exclusion of Clark County, Nevada.

The DOE stated in its report that at the National Corridor designation stage the Department does not need to analyze potential solutions to or causes of "persistent congestion." This reasoning is flawed because without this step in its analysis the DOE can conclude that any energy supply problem is due to transmission constraints. By including the Arizona counties of Maricopa, La Paz, and Yuma in the Southwest Area National Corridor, the DOE has not provided "a potential mechanism for analyzing the need for transmission from a national, rather than State or local perspective" as it claims, but instead has created a bias toward a transmission solution over a generation solution for California's energy woes.

California's energy problems stem from its practice of not building adequate new generation while at the same time retiring too many older power plants. For example, both the Port of San Diego and the Chula Vista City Council want to close Dynegy's South Bay Power Plant by 2011 in order to build a football stadium on the site and a convention center nearby. LS Power and Dynegy have a pending Application for Certification ("AFC") to build the South Bay Replacement Project, a smaller, cleaner plant, on an adjacent bay front site. After consultation with the City and the Port, LS Power filed its AFC with the understanding that both the Port and the City agreed with the location of the replacement power plant. However, early this year the city council adopted a resolution against building a new bay front plant, no matter how small or clean it would be, and the Port Commission voted against leasing bay front land for the replacement power plant. The power plant subcommittee is still looking for an inland site, but as yet another suitable location has not been found. Even if one were found, it would take at least five years to get a new plant up and running. This would put the replacement plant in service sometime in 2012 at the earliest, a year after the South Bay plant would need to be dismantled.

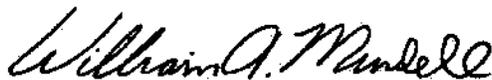
This puts pressure on San Diego Gas & Electric to complete the proposed Sunrise Powerlink transmission line, another transmission project within the Southwest Area National Corridor.

In Arizona, we have taken a different approach to meeting our increasing demand for electricity. Since 1998, the Arizona Corporation Commission ("ACC") has approved 13 separate generation projects, adding 10,462 megawatts of new electric generation in Arizona. One of these projects was the expansion of the San Tan Generating Station in the middle of Gilbert, a heavily populated suburb of Phoenix inside the Maricopa County non-attainment area. This was a politically difficult decision because the residents living near the plant and the town council were vehemently opposed to the expansion.¹ The ACC weighed the evidence and voted unanimously to approve the San Tan expansion because it was in the best interest of Arizona and the reliability of the western grid. We granted the project a Certificate of Environmental Compatibility but not without adding new, more stringent conditions in order to mitigate the plant's impact on the environment. Our decision increased San Tan's output to 1,125 megawatts from 300, but because of the additional requirements imposed by our order, including an outright ban on the burning of diesel fuel, total emissions were reduced at that facility.

In 2004, a transformer fire at the Westwing substation severely limited the Phoenix area's ability to import electricity from the Palo Verde hub. Despite rising temperatures, the loss of six transformers, and transmission lines threatened by wildfires, the grid remained operational—averting rolling blackouts. This can be attributed to a number of factors, including the utilities' efforts to reconfigure the transmission grid within the Phoenix-metropolitan area in order to gain additional capacity and the response of customers to calls for conservation. However, without the additional generation at San Tan inside the load pocket, it would have been nearly impossible to avoid some loss of power.

As you can see, this Commission takes its role as a siting authority seriously and will not shirk from its duty to make difficult decisions to maintain resource adequacy and reliability. Thank you for your attention to this matter.

Sincerely,



William A. Mundell, Commissioner
Arizona Corporation Commission

¹ At the public comment meeting in Phoenix, the DOE stated that it is virtually impossible to build generation facilities in heavily populated, non-attainment areas. It is difficult, but not impossible if state and local elected officials have the political will to make a decision based on the need for generation and do not succumb to NIMBYism.

The Honorable Samuel W. Bodman, Secretary of Energy
November 20 2007
Page 3

cc: Chairman Mike Gleason
Commissioner Jeff Hatch-Miller
Commissioner Kris Mayes
Commissioner Gary Pierce
FERC Chairman Kelliher
FERC Commissioner Wellinghoff
FERC Commissioner Kelly
FERC Commissioner Moeller
FERC Commissioner Spitzer
US Senator John McCain
US Senator Jon Kyl
Congressman Rick Renzi
Congressman Trent Franks
Congressman John Shadegg
Congressman Ed Pastor
Congressman Harry Mitchell
Congressman Jeff Flake
Congressman Raul Grijalva
Congresswoman Gabrielle Giffords
Governor Janet Napolitano
Arizona State Senate President Tim Bee
Arizona State Speaker of the House James Weiers