

**From:** Walker, Wayne [mailto:Wayne.Walker@horizonwind.com]  
**Sent:** Tuesday, May 15, 2007 7:13 AM  
**To:** Gutierrez, Shane  
**Cc:** Prairie Wind Energy; Young, Andrew; Roberts, Jim; Bowman, Paul; Walker, Wayne; Kellogg, Vanessa  
**Subject:** Horizon Wind Energy Comments on SB100

Dear Shane,

Thank you for seeking input on Senate Bill 100. In my capacity as Director of Project Development for both Colorado and Texas, I have been following this bill closely through our industry trade association, Interwest, while simultaneously playing a lead role in the implementation of Senate Bill 20 in Texas that is currently in the middle of a contested case. The outcome of the Texas contested case will designate competitive renewable energy zones "CREZ" this summer. Horizon believes that it has learned many valuable lessons during the rulemaking last Fall and contested case of the CREZ process. While we understand that SB 100 is different in many ways, we believe several of the lessons learned in SB 20 in Texas should be applied in the implementation of SB 100 in order to yield the most efficient and expeditious build out possible for Colorado's energy resource zones ("ERZ"):

\*Existing interconnection queue positions and information obtained from past Xcel RFP's should not be used in any capacity for determining where Xcel transmission should construct future transmission facilities to ERZ under consideration. In Horizon's opinion, the goal of SB 100 is to enable, large scale, geographically diverse, new renewable resource development, not merely to construct incremental transmission improvements in areas that have existing renewable resource generation or have expressed interest in previous request for proposals. Additionally, Horizon believes there is likely to be process flaw in using interconnection requests as a selection data point. The reality is that there are no valid interconnect points for developers to even submit a request for in most of the ERZ at the present time. Alternatively, existing interconnection requests would most likely have to change their interconnect request points as new interconnect options are made available by future, to be determined transmission facilities. A change in an interconnection point would invoke the "material change" doctrine for an existing request, thus if the developer wanted to move forward it would have to drop out of the interconnection queue and start the interconnection process over again.

\*Selection of Energy Resource zones should require the participation of a neutral, third party entity, such as the Colorado PUC, who contracts with a third party consultant with specific knowledge on the needs of evaluating wind resources and high voltage backbone transmission requirements needed to deliver thousands of MW's from renewable resources located distant from major load centers in Colorado and beyond. Simply allowing investor owned utilities ("IOUs") to have the exclusive right to select energy resource zones is not an impartial selection process, and could actually act as a cap to renewables energy development in Colorado, because IOUs are only mandated to meet the new renewable portfolio standard ("RPS") milestones under SB/HB??? And may not want to exceed them.

\*Define an early stage "bright-line test" for the renewable energy development community to get some skin in the game and share some of the risk in this process. SB 100 should not become another forum for renewable energy developers to provide either Xcel or a neutral 3rd party with a forum for voicing their dreams and aspirations for building future facilities, just as the interconnection queue should not be viewed as a serious indicator of commitment to a potential future project. Enabling a forum such as this will just perpetuate unnecessary transmission studies and consume a lot of resources at Xcel to investigate a very long list of transmission options for a larger number of projects that may not be constructed. The focus should be on spending these resources on a fairly narrow, but diverse group of projects promoted by

developers who are willing to put additional and reasonable development dollars at risk to give Xcel, the PUC and other parties involved in this process confidence that they can deliver. Specifically, Horizon suggests that Xcel require each project to put up a letter of credit in the amount of at least \$15k per nameplate MW in the near future, based on the number of nameplate MW the developer seeks to develop and construct in each ERZ, so that Xcel can have this data point well before it goes to the PUC in October. This letter of credit per nameplate MW step will enable a "fast track financial commitment" ("FTFC") which will greatly expedite this process. Based on what we have seen in Texas, the FTFC step should provide a considerable reduction in the resources required and the time needed to make an educated decision regarding which energy resource zones should be enabled in the near future. The letter of credit should only be released when the developer declares commercial operation within a few years of the new transmission facilities becoming available.

\*In exchange for the cost of providing an FTFC renewable resource developers should receive several benefits:

- a. First priority over the transmission capacity associated with the nameplate MW, per project nomination in each energy resource zone
- b. Ability to designate a limited number of load centers for future delivery of renewable resources. It is not possible to declare a single delivery point for a project that will not be built for several years in the future when the transmission resources are finally constructed, today.
- c. Energy resource zone capacity rights should be fully tradable to other developers, or any other parties that may be interested in purchasing them

\*Consideration of existing transmission projects that would enable multiple ERZ: As Xcel is aware, Tristate is contemplating the construction of the Eastern Plains Transmission Project ("EPTP"). EPTP has been thoroughly vetted in a number of important transmission planning forums in Colorado over the past couple of years. Horizon is very cognizant of the inherent challenges of investor owned utilities working with cooperative generation and transmission cooperatives, but strongly encourages Xcel to work with Tristate to devise a solution in which EPTP would be constructed so that large scale renewable energy projects can interconnect as soon as possible and start delivering energy to Colorado and points beyond. EPTP could serve as a first in class renewables gathering system to deliver power to load centers in Colorado while also connecting to other large scale projects such as High Plains Express or Trans West Express to deliver power throughout the Western region of the United States. Xcel can help solve two main challenges of EPTP: funding and cost of transmission deliver service from TriState to other parties. The reason TriState's transmission tariff is so high is because its relatively small, compared to Xcel's rate base, number of members must bear 100% of the cost. If Xcel were to propose ownership or even reserve a significant percent of capacity on EPTP, now, both of the total cost and cost of transmission service question, could be resolved. Horizon believes that if Xcel could roll up its sleeves and work with TriState, a solution could be crafted that would enable benefits to accrue to Xcel and TriState's ratepayers/members, renewable developers and interested political parties across a broad spectrum as early as 2011.

\*Simultaneous development of Xcel's own plans to enable multiple ERZ: While Horizon believes the joint Xcel/TriState EPTP solution above is the best choice, Xcel should not "wait" on the outcome of EPTP to rapidly develop its own ERZ development plan in time, beyond ERZ 1, to present to the Colorado PUC in October. At the April ?? Meeting, Horizon was disappointed to learn of Xcel's continued focus on only ERZ 1 at the present time. It is paramount that transmission planning, providing at least conceptual options, to enable large scale geographic mega scale wind projects to be constructed in the next few years begin immediately.

Horizon has three development assets in Colorado, two of them of significant scale:

ERZ 2: Crossing Trails Project, Cheyenne and Kit Carson Counties, 1000 MW,  
In service date: 2008/9 for first 100 MW, 2011 for balance. Balance of project transmission stranded.

ERZ 3: Signal Hill Project, Prowers County, 69 MW and Viento Grande Project, Baca and Las Animas Counties, 1000 MW  
In service date: 2009 for Signal Hill. 2011 for Viento Grande due to being project transmission stranded.

Target Markets: Colorado and balance of WECC

Horizon holds the vast majority of land in all of these areas under lease, has formed a partnership with Prairie Wind Energy out of Lamar, and has 1000 MW of interconnection requests in TriState's queue at the present time. The Signal Hill Project has a signed IA with Xcel. Horizon has not submitted an interconnection request with Xcel for Crossing Trails or Viento Grande for the reasons highlighted in my first bullet above, but would be eager to do so once viable, new back bone transmission options become available.

In summary, Horizon encourages Xcel to pursue the following steps as soon as possible:

1. Define open season for developers to "nominate" ERZ and require a FTFC via a \$15k/MW LEC. The open season should be 30 days, or less, the cut off for participation should be strictly enforced.
2. In coordination with a neutral third party, preferably the PUC, decide which projects in which ERZ have been selected for a final round of transmission studies to enable the winning projects.
3. Perform the necessary transmission planning and modeling exercises to create the new plan. Coordinate this exercise with TriState with the goal of presenting a comprehensive and joint solution to the PUC in October.
4. Seek approval from the PUC in October for accelerated cost recovery of the new plan.
5. Begin ROW acquisition and construction as soon as possible.
6. Complete and energize the new transmission facilities no later than December 2011
7. Developers must connect all nominated ERZ projects and capacity by 2015 or ERZ capacity rights are relinquished for auction at the PUC during a future to be determined open season

Thanks again for the opportunity to comment. I will be in the Denver area on Thursday and Friday and would be happy to stop by to answer any questions you may have.

Regards,

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