

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA**

Order Instituting Rulemaking to Integrate and
Refine Procurement Policies and Consider
Long-Term Procurement Plans.

Rulemaking 12-03-014
(Filed March 22, 2012)

COMMENTS OF TRANSWEST EXPRESS LLC

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Dated: May 31, 2012

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Pursuant to Rule 14.3 of the California Public Utility Commission's ("CPUC" or "Commission") Rules of Practice and Procedure and the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, issued May 17, 2012 ("Scoping Memo") TransWest Express LLC ("TransWest") provides its comments to the 2012 Energy Division Straw Proposal on LTPP Planning Standards, dated May 10, 2012 ("Straw Proposal"). Pursuant to Rule 1.4(a)(2)(ii) of the Commission's Rules of Practice and Procedure, TransWest also seeks party status in this proceeding.

The Straw Proposal was prepared by the Commission's Energy Division Staff ("Staff") to present broad choices of assumptions for scenario creation in the 2012 Long-Term Procurement Plan ("LTPP") proceeding. The scenarios developed are used to inform Commission resource authorization decisions, but are also utilized in the California Independent System Operator Corporation's ("CAISO") Transmission Planning Process ("TPP") to inform the CAISO's approval of the "Policy-Driven" category of transmission upgrades and additions.¹

Critically, because the CAISO utilizes the planning scenarios developed in this proceeding for its TPP planning assumptions, it is vital that the Commission incorporate in these scenarios flexible consideration and accommodation of *western regional* development, including

¹ See Straw Proposal at p. vi; see also CAISO Tariff at § 24.4.6.6 (b).

transmission infrastructure and generation resources that will be permitted and approved outside the Commission's permitting process. TransWest appreciates the efforts of the Staff to improve upon the 2010 LTPP planning assumptions and standards with its Straw Proposal. We agree that there are a number of considerations to make with long-term planning relating to future supply and demand changes that all need to be integrated within a comprehensive analysis of how long-term transmission (and generation) infrastructure development can best meet the needs of these various considerations.² While the scenarios developed in this proceeding as part of the LTPP process may be helpful to the CAISO's TPP, the usefulness of this data is directly dependent on the level of sophistication of the analysis being conducted to develop scenarios.

TransWest recommends the addition of one or more scenarios beyond those currently in the Straw Proposal to incorporate (and expand upon where needed) the important work performed by the Western Electricity Coordinating Council ("WECC") in the September 2011, WECC 10-Year Regional Transmission Plan ("WECC 10-Year Regional Plan") and by the California Transmission Planning Group ("CTPG") in the February 2012, CTPG 2011 Final Statewide Transmission Plan. Within these plans, the potential benefits associated with transmission expansion of the *western regional* system to the CAISO and other systems at the Eldorado Valley in southeastern Nevada have been examined.

Any range of reasonable planning scenarios must include one or more scenarios that assume that inter-regional transmission infrastructure development will provide for at least some level of increased renewable import capability from out-of-state. Indeed, Commission Staff has actively participated in the development and refinement of several of the regional planning efforts relevant to developing such scenarios. Nonetheless, the Straw Proposal contains

² See Scoping Memo at 8.

a limited number of planning scenarios, with narrow transmission assumptions, *i.e.*, the existing grid, including existing import capability, modified only by transmission projects that have been approved by the CAISO and the CPUC and are expected to be online within the planning period.³ This is too narrow a metric for reasonable planning assumptions in a 10-year to 20-year planning horizon. Moreover, by definition, it excludes potential increases in import capability from out-of-state transmission developments (since such developments may not fall within CAISO and/or CPUC jurisdiction for approval). As a result, some potentially attractive resource options that would enhance both reliability and be cost efficient—benefitting California ratepayers years into the future—would be unexplored. Similarly, the CAISO’s TPP is inappropriately influenced, by failing to take into account viable transmission infrastructure currently being developed at the CAISO’s borders.

The Straw Proposal should be expanded to include appropriate consideration of planned major transmission infrastructure at the inter-regional level (*i.e.* outside the CAISO) and associated resources that may be imported into the State in connection with increased transfer capability. As discussed below, at least one scenario should specifically assume robust imports⁴ of wind resources developed by an HVDC line into southeastern Nevada. It may also be reasonable to consider other western regional transmission projects that are in the course of being permitted and developed. Making this change to the Straw Proposal is important both to ensure (i) that resource authorization decisions adequately contemplate the possibility of economic imports into the State, and (ii) the CAISO in its TPP assesses the ability of the existing California transmission network to accommodate delivery of imported resources to load.

³ Straw Proposal at p. viii.

⁴ TransWest does not purport to assign a specific number of MWs of such imports for purposes of these comments, but believes that a reasonable assumed level of imports should likely not be significantly below the 3,000 MW of wind resources that the TransWest line is being sized to deliver.

I. BACKGROUND AND PARTY STATUS

A. Description of TransWest

TransWest is developing an approximately 725-mile, 600 kV direct-current (DC) transmission system (“TransWest Project”) that will be capable of delivering 20,000 GWh/yr of high quality, low cost, Wyoming wind energy directly to California markets. The TransWest Project can supply enough renewable energy to serve more than 1.8 million homes per year and support the reduction of an estimated 8.2 million metric tons of greenhouse gas (GHG) emissions per year. The TransWest Project will provide a critical link between Rocky Mountain wind power and California, offering the shortest, most economic route to deliver some of the best wind resources in the nation to California. The Project line will have capacity to deliver 3,000 MW of renewable energy on a direct, point-to-point transmission path from its northern terminal in Wyoming to substations under the operational control of California Balancing Authority Areas near the Nevada-California border, including the CAISO and the Los Angeles Department of Water & Power.⁵ TransWest will add capacity and stability to the larger Western Interconnection, enhancing reliability by using the latest HVDC technology available to efficiently transmit (*e.g.*, with far fewer line losses than AC lines) large amounts of renewable energy over long distances with a small environmental footprint.

To date, TransWest has made substantial progress in the environmental review and permitting of the TransWest Project, and the viability of the Project has been widely acknowledged. For example, in late 2011, the TransWest Project was only one of seven transmission projects selected for special focus by the federal “Rapid Response Team for Transmission,” a multi-agency team established to accelerate deployment of identified key

⁵ At TransWest’s southern terminal in Eldorado, Nevada it will also have the ability to interconnect with substations allowing for the delivery of renewable energy to other areas of the Southwest, including Nevada and Arizona.

transmission facilities.⁶ Moreover, as discussed below, WECC's most recent 10-year transmission planning study included the TransWest Project in its planning efforts and specifically noted the project's benefits of providing cost-effective renewable energy to California.⁷

B. Party Status

Pursuant to Rule 1.4(a)(2)(ii), with these Comments, TransWest seeks party status in this proceeding. Service of notices, orders, and other communications and correspondence in this proceeding should be directed to the following:

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II. COMMENTS

TransWest notes that the comments requested in the Scoping Memo are with respect to the Straw Proposal generally; however, TransWest has organized its Straw Proposal comments in relationship to the issues delineated in the Commission's Track 2 discussion within the Scoping Memo.⁸

⁶ <http://www.transwestexpress.net/news/alerts/2011/100511-rapid-response.shtml>.

⁷ WECC 10-Year Regional Transmission Plan, Plan Summary at 36 (September 2011), *available at* http://www.wecc.biz/library/StudyReport/Documents/Plan_Summary.pdf ("WECC 10-Year Regional Plan Summary"); *see also* WECC 10-Year Regional Transmission Plan, 2020 Study Report at 86, 93 (September 2011), *available at* <http://www.wecc.biz/library/StudyReport/Wiki%20Pages/Home.aspx> ("WECC 10-Year Regional Plan Study Report") (discussing analysis of potential cost savings from utilization of Wyoming wind resources). The WECC 10-Year Regional Plan Summary and associated analyses, such as the WECC 10-Year Regional Plan Study Report are collectively referred to herein as the "WECC 10-Year Regional Plan".

⁸ Scoping Memo at 8-9.

1. What assumptions should be made about the availability of various supply resources and levels of electricity demand over the next 20 years. This may entail use of assumptions from other proceedings involving supply resources and electricity demand, including proceedings concerning energy efficiency, demand response, distributed generation, energy storage, the renewable portfolio standard, and greenhouse gas issues.

Diverse production renewable supply resources from the high capacity factor, most cost-effective regions in the West should be reasonably assumed to be available and supplied to the California market for the planning horizons addressed by the LTPP. However, such remote resources should be assumed to be available in much shorter time frames consistent with the progress being made on certain inter-regional transmission projects, such as the TransWest Project. Reliable incorporation of such assumptions can be accomplished by expanding on data already reviewed by the Staff in stakeholder proceedings in which Staff actively participated, thus ensuring consistency with the Straw Proposal's guiding principle that assumptions be based on realistic possibilities. TransWest acknowledges that the Straw Proposal does not specifically "discount" consideration of remote resources. But the Straw Proposal, if unchanged, would appear to omit from any planning scenario a reasonable assumption regarding increased available out-of-state imports resulting from the development of new transmission capacity to the CAISO border.

As a threshold matter, TransWest notes that the process used to inform the CAISO's TPP assumptions through the LTPP scenarios remains unclear, including a lack of clarity around the various planning horizons informed by the LTPP. The Straw Proposal would benefit significantly from including a description of the various planning horizons targeted within the Straw Proposal. Typically in the case of transmission infrastructure, the time to implement plans is in the five- to ten-year range and the infrastructure is intended to serve for

greater than forty years. This contrasts with resource development, which typically takes two to five years to develop and is intended to serve for twenty years. TransWest understands that a primary purpose of the Commission's LTPP proceedings has been to inform resource authorization decisions, *i.e.*, procurement of new generation. But as the Straw Proposal acknowledges, these proceedings are now closely linked to input assumptions used by the CAISO for its TPP. These two fundamentally different infrastructure development and operational periods makes using a single planning process very difficult to identify a course of action that best meets the long range policy goals of meeting the RPS and other needs cost effectively. Development of transmission infrastructure to broaden the available resources should be a central focus of the Straw Proposal for the five- to ten-year medium implementation horizon.

In addition to these study process concerns, the Straw Proposal needs to consider *western regional* transmission infrastructure upgrades within WECC, and how those can be properly accounted for in the planning scenarios. The data sources identified within the Straw Proposal, and used within the LTPP calculations to develop the 2012/2013 scenarios for the CAISO TPP, lacked complete and accurate information on imported supply from remote resources and the development of inter-regional transmission projects being developed to deliver cost-competitive renewable resources to the benefit of California ratepayers. There are several data sources for regional projects, such as WECC's Project Information Portal,⁹ that should be used by the Commission to inform the LTPP about the reasonable potential for remote resources. Commission Staff have been working within stakeholder-based regional transmission planning processes—such as WECC's Regional Transmission Expansion Planning process—for several

⁹ <http://www.wecc.biz/Planning/TransmissionExpansion/Map/Pages/default.aspx>.

years, however use of data and analysis developed by these groups has not been identified for use within the Straw Proposal. In the past, California has economically benefitted from its intertie access to cheaper interstate supplies. This type of imported supply should be included in the California LTPP from both existing *and new* interties to the West.

The Staff should revise its proposal so that its “base portfolio” includes assumptions for new import capability based on projects that have been identified in relevant WECC planning documents. Specifically, at least one scenario should assume up to 3,000 MW of wind resources developed by an HVDC line into southeastern Nevada. In the alternative, if Staff determines for any reason that the base portfolio should not include such an assumption, one or more additional scenarios should be analyzed to take into account major planned infrastructure with a demonstrated development track record, such as TransWest’s Project.

2. What assumptions from other organizations and agencies such as the ISO and the California Energy Commission should be incorporated into long-term electricity system needs forecasts in this proceeding.

The Straw Proposal does not adequately incorporate assumptions regarding out-of-state transmission planning that will impact resource availability and delivery of cost effective resources to CAISO. Rather, the LTPP assumes no more availability than the existing transmission grid and import capability as it exists today, along with in-state upgrades that have been approved by both CAISO and the CPUC.

This inappropriately disregards realistic increases to the import capability into CAISO within the planning horizon, in connection with planned out-of-state transmission infrastructure development. WECC study data is a vital data source for scenario planning, because it provides inter-regional transmission planning inputs not otherwise captured by CAISO planning. The fact that the CAISO is taking CPUC data from this scenario creation process and using it to inform its TPP underscores the need for the Commission to include appropriate

WECC study data and assumptions.

The CAISO's TPP evaluation of needed transmission facilities includes an initial determination of the most likely set of generation resources to be developed in response to public policy drivers, *i.e.*, mandated RPS targets.¹⁰ The CAISO also considers results and identified priorities of the CPUC's resource planning process.¹¹ TransWest's understanding based on its experience with the TPP stakeholder process is that, within the TPP, the CAISO assumes that the most likely CPUC planning scenario will result in the development of the least-cost course of action to meet these policy objectives. The CAISO will be assuming, therefore, that the process described in the Straw Proposal will develop an "all inclusive" and sufficient range of alternative scenarios that would ensure the lowest cost alternative could be developed; however, this may not be an accurate assumption due to its limited, California-focused view of its economic supply.

If the CAISO is relying on the Commission's resource planning scenarios as part of the CAISO's transmission planning, however, sensible policy dictates that the range of alternative scenarios must include consideration of inter-regional and regional network and interconnection transmission upgrades that would broaden and facilitate implementation of the resource market to lower overall electricity costs to ratepayers. Indeed, the Federal Energy Regulatory Commission's ("FERC") policies under FERC's Order No. 1000 *require* the CAISO to engage in appropriate interregional transmission planning coordination.¹² As a result of the inter-relationship between the CAISO and the CPUC regarding certain planning inputs and the

¹⁰ CAISO Tariff § 24.4.6.6 (a).

¹¹ *Id.* § 24.4.6.6 (b).

¹² *See generally Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000 at PP 374-481 (2011) ("Order No. 1000"), *order on reh'g and clarification*, Order No. 1000-A at P 500 (May 17, 2012) (affirming that the consideration of transmission needs driven by public policy requirements "is an essential part of the evaluation of an interregional transmission project . . . as part of the relevant regional transmission planning process").

regulatory oversight by the CPUC of most proposed transmission siting under its jurisdiction, the CPUC should ensure that its LTPP provides relevant data and assumptions to enable the CAISO to appropriately study and plan on an *inter-regional* basis, as part of the CAISO's TPP.

To accomplish this, the Commission should take affirmative steps to provide for broader consideration in LTPP scenarios of inter-regional infrastructure developments. In particular, results from the WECC's 10-Year Regional Plan released in September 2011 should be analyzed and incorporated as an input to the Commission's assumptions regarding both inter-regional transmission upgrades and the availability of cost-effective resources outside the CAISO footprint. Notably, the WECC's 10-Year Regional Plan specifically analyzed cost-effective remote resources and the economic opportunities of delivering remote resources available to California in the 2020 timeframe.¹³ The Commission's Staff were directly involved within this analysis and provided critical information from past LTPP efforts and reviews of the analysis that resulted in a more robust report.

The WECC analysis includes several analytical features that should be considered for inclusion within the Straw Proposal such as the use of sensitivity analysis for the key economic drivers (e.g., capital cost assumptions and capacity factors) and the consideration of distinguishable and actionable alternative courses of action. The WECC 10-Year Regional Plan's preliminary findings demonstrated the strong economic benefits associated with certain remote resources, particularly Wyoming wind resources, such that they should continue to be considered and further developed within the relevant planning processes including the CPUC's LTPP.

To provide a fuller picture of the status of planned inter-regional development

¹³ See, e.g., WECC 10-year Regional Plan Summary, Section 4.1.

beyond the WECC study, the Commission can also examine other available data regarding progress made on certain projects. For example, for renewable resources, the Bureau of Land Management maintains a database of Renewable Energy Priority Projects, which provides reliable data references for the viability of planned projects in the permitting stages outside of the CAISO.¹⁴ In addition, as noted above, the interagency Rapid Response Team for Transmission (“RRTT”) has been established to focus on coordinated permitting of priority transmission projects that would increase reliability and efficiently integrate renewables. The RRTT vetted projects for selection based on principles consistent with many of the policy goals of the Commission and the CAISO including whether the transmission line adequately meets reliability standards, provides capacity for new commercial scale renewables, or uses transmission corridors designated on Federal lands under the Energy Policy Act of 2005.¹⁵ The TransWest Project was one of seven projects initially selected by RRTT for coordinated and timely infrastructure permitting, review and consultation by federal agencies. RRTT selection provides an indicator to the Commission of the viability of transmission developments outside the CAISO as they continue to undergo the permitting process.

4. Whether increased variability amongst load and generation may require changes in procurement of resources to meet reliability needs.

As California continues to increase the percentage of renewables that supply load in the State, the issue of variability amongst load and generation becomes increasingly important. TransWest appreciates that renewable integration on the grid has many unanswered questions for this Commission, the operational staffs of the CAISO, and California’s transmission owners. It is clear that combining differing production profiles from, for example, wind in California and

¹⁴ http://www.blm.gov/pgdata/content/wo/en/prog/energy/renewable_energy/2012_priority_projects.html.

¹⁵ <http://www.whitehouse.gov/administration/eop/ceq/initiatives/interagency-rapid-response-team-for-transmission>.

wind in Wyoming, will increase the diversity of the combined supply. This is similar to the benefits California receives from combining load profiles of Northern and Southern California arriving at a reduced peak that is managed daily by the CAISO. The design and plan of the California grid should consider these and other operational benefits of diversity in the overall LTPP planning.

In this regard, the Commission's planning scenarios should accommodate appropriate consideration of some of the specific benefits that out-of-state resources have been shown to provide. The Straw Proposal does not appear to have adequately taken into account such benefits. The Straw Proposal states only that resources outside CAISO should be taken from WECC Transmission Expansion Policy Planning Committee ("TEPPC") data, specifically the 2022 Common Case.¹⁶ The 2022 Common Case data, however, is by itself inadequate to model the potential viability and benefits of out-of-state imports because it reflects only basic system modeling data of a collective assumed future scenario of local supply for all utilities in the West. The Commission should undertake a more granular review of the results of WECC's complete analysis in the 10-Year Regional Plan.

TransWest urges Commission Staff to provide a more fulsome description of the data and assumptions used to consider potential benefits and viability of out-of-state resources, such as Wyoming wind resources. For example, in 2009, WECC was awarded a \$14.5 million grant by the Department of Energy to develop 10-year and 20-year region-wide transmission plans for the Western Interconnection. As discussed above, the resulting WECC 10-Year Regional Plan showed substantial benefits associated with replacing 12,000 GWh per year of the lowest ranking California renewable resources (a mix of solar, wind and biomass) with an equal

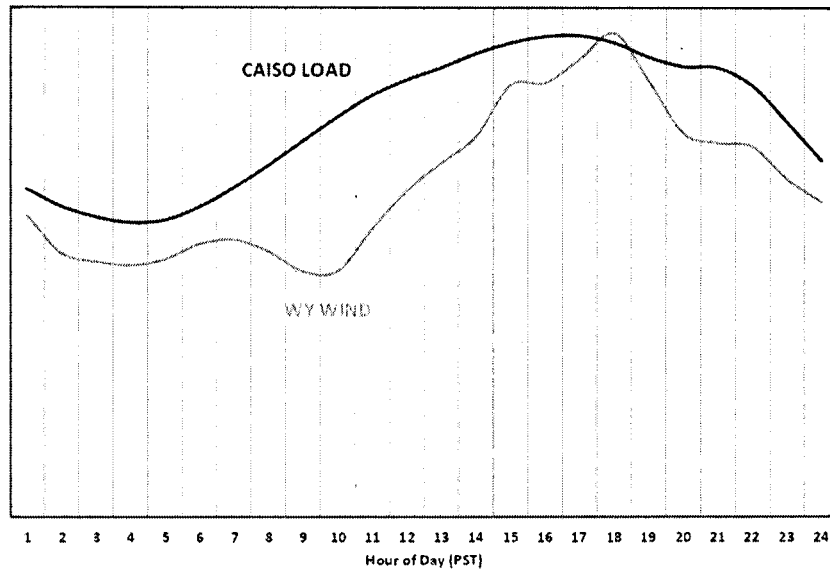
¹⁶ See Straw Proposal at p. xv.

amount of energy from high-quality Wyoming wind resources, delivered by the TransWest Project. These high quality, out-of-state 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 on the order of \$300-700 million per year.¹⁷

In addition to these economic benefits, Wyoming wind resources would provide substantial reliability benefits that should also be considered in the LTPP scenarios. In particular, the typical production profile of Wyoming wind resources complements the diurnal pattern of California electrical load. In contrast to typical Wyoming resources, California wind projects on average tend to have a diurnal pattern of production that occurs six or more hours after the peak load. These operational characteristics were confirmed by TransWest through recorded data from twenty meteorological towers in a typical wind resource area in Wyoming, and are depicted in the graph below.

¹⁷ See WECC 10-Year Regional Plan Summary at 33, Table 2.

Wyoming Daily Wind Profile Complements CAISO Load Shape
During Peak Load Months: July - September



For these reasons, TransWest urges the Commission Staff to provide for a more robust analysis of the benefits of out-of-state delivered imports when developing both the base case scenario, and/or an additional scenario that models higher levels of resource imports into CAISO.

6. Determination of specific scenarios to be developed to analyze long-term system reliability needs; these scenarios will form the basis for the Commission’s submittal to the ISO for its 2013-2014 Transmission Planning Process.

The Straw Proposal contemplates only two portfolios, a “base” portfolio and a “High DG” portfolio. TransWest urges the Commission Staff to expand the portfolios considered to provide for more robust consideration of both (i) planned transmission developments in the West, and (ii) associated planned renewable resources from out-of-state that will be capable of being imported into CAISO in conjunction with such planned transmission infrastructure.

In this regard, the Commission needs to first synchronize the planning horizons with the CAISO TPP. Given the five- to ten- year development period for transmission upgrades

and the eight-year window to achieve the mandated 33% RPS levels by 2020, TransWest suggests the CPUC consider all of the regional and inter-regional projects that are under development by the CAISO and others that could be completed in time to help meet the 33% RPS by 2020. The specific scenarios to be considered by the CPUC should include a case where no transmission gets developed, and either DG or resources that are found do not require that transmission be developed. The other scenarios would include strategies to utilize various regional and/or inter-regional transmission expansion projects to the market to access these constrained resources. As discussed above, the Commission Staff has available to it reliable analyses in the WECC 10-Year Regional Plan to identify and quantify the impacts of various projects. While this analysis was performed on a conceptual basis and requires refinement, it should serve to assist the CPUC in focusing on certain areas and projects.

The specific scenarios developed for the 2013-2014 LTPP should include a “base case” that includes anticipated interconnection transmission upgrades and other cases that provide potentially lower cost options to the base case, which may include lower cost out-of-state resources.

9. What cost-effective resource strategies should be implemented to achieve greenhouse gas (GHG) goals.

The Commission’s scenario planning and resource strategies should provide for appropriate evaluation of the benefits of diverse renewable resources, including out-of-state resources that can effectively address the State’s GHG goals. TransWest notes that Wyoming wind resources average between a 45% and 50% capacity factor, as compared to California wind and solar resources, at approximately a 20% capacity factor. Not only does this enhance the cost effectiveness of Wyoming wind resources, but it also eliminates greenhouse gases at over twice the rate as California renewables.

10. How to inform other infrastructure planning processes, including the ISO Transmission Planning Process and other regional planning processes.

The CAISO TPP requires a robust view of a number of demand and supply drivers over different planning horizons. Based on these inputs, a regional transmission planning process should typically develop a broad range of alternative strategies for examination to determine the best course of action to develop a plan that includes options and contingency plans. In accordance with FERC polices, which under Orders 1000 and 1000-A now mandate appropriate consideration of interregional transmission planning, the CAISO must consider a broad range of geographical alternatives within the western regional context. Thus, if the CAISO is to rely on CPUC resource planning scenarios as an input to transmission planning, at least some of the scenarios must reflect the mandate for appropriate interregional planning considerations (for both resources and associated transmission infrastructure developments).

In order to appropriately inform the CAISO TPP, the Commission needs to develop a comprehensive framework for the various planning horizons and system needs that the Straw Proposal is attempting to address. As discussed above, the development and operational timeframes for resources, on the one hand, and transmission investments, on the other, differ significantly from one another with transmission in general taking longer to develop and operating for a longer time period (up to two to three times longer than specific resources). In addition to these timing differences, specific transmission assets can and often are used to meet a broad set of electrical system needs that go far beyond the needs of any singular policy objective.

TransWest understands that long-term resource procurement is an important and vital element within the process to meet important Commission policy objectives. However, the five- to ten- year planning horizon for transmission development—whether regional or inter-regional—does not require, and should not be overly influenced by, extensive information from

the shorter-term procurement process, *e.g.*, with respect to current market prices and developer activity. The Straw Proposal reflects to a large degree a focus on contracts (PPAs) for resources and how that help informs the scenarios for use in the TPP. While these may help inform the short-term case of examining a market without assumed transmission upgrades (other than limited in-state upgrades already approved), a California-focused, contract-driven planning scenario should not become a driving force of the CAISO's TPP. It does not meet the standard required by FERC policy (and sensible planning policy in general) of looking at a geographical range of options that includes how transmission can broaden and enhance the efficiency of the market.

The failure to include consideration of such alternative strategies going forward could result in significant detriment to ratepayers. A narrower planning focus could and perhaps already has led to the commitment of more costly "sunk" solutions and the transferring of obligations between sellers and buyers by altering the various transmission development processes, and potentially simply not meeting RPS objectives because of the risks associated with pursuing a limited narrow course.

III. CONCLUSION

TransWest urges revisions to the Staff's Straw Proposal consistent with the comments above.

Respectfully submitted,

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