

Arizona Public Service (APS) is pleased to work with the California Transmission Planning Group (CTPG) over the California Independent System Operator's (CAISO's) 2011/12 planning cycle to assess the project viability and benefits of the Colorado River to Delaney 500 kilovolt line. As submitted in the project proposal to the CTPG and the CAISO, the completion of the 500 kV line on Western Electricity Coordinating Council (WECC) Path 49 has been shown in past studies to bring significant benefits including accessing thermal and renewable resources in Arizona, providing additional access to competitively-priced energy during seasonal peak demand, and enhancing the reliability of the California and WECC transmission system.

APS recognizes that many past studies have shown this project brings significant benefit but also realize that many changes have occurred over the past 3 years regarding this project. These changes include electric demand, environmental considerations, state laws, and general economic drivers. Instead of submitting past studies which support or oppose this project which may be based on outdated information, APS would propose to work collaboratively in mid-2011 to update the specific economic and reliability studies regarding this potential transmission element and submit these into the CAISO and CTPG processes. APS would expect that this data, once complete, would provide additional targeted information for the identification of this project as a High Priority economic or policy project to study during its planning process in 2011/12.

APS looks forward to the continued collaboration that the CTPG has offered and appreciate the CTPG's consideration of this input and additional input into this process outlined in its February 2011 response to the request of APS to consider this project.

In the 2010 CTPG California Statewide Transmission Plan, the Southwest Corridor was identified as one of the corridors that warranted further study by the CTPG in 2011. This corridor that includes imports from resources in Arizona was recognized as a potential option for the state of California to import power to meet the state's RPS. APS has concerns with the approach proposed in the May 19, 2011 CTPG presentation which appears to contemplate assessing only imports from Nevada (Northwest Nevada High Potential Corridor) and appears to ignore Arizona imports.

This is further explained below.

The 2011/12 CAISO final plan outlines that the Hybrid Portfolio 4 is the portfolio "The ISO considered ... a more likely scenario [which] would include moderate development of all three types of resources: large in-state, out-of-state and distributed generation." This portfolio anticipates the import of 1,090 MW of additional resource capacity supplied by Arizona imports. APS notes that this is second only to Oregon imports and represents approximately 28% of total anticipated imports projected in this plan. Nevada, in comparison, represents only 450 MW and approximately 12% of anticipated imports. The High Out-Of-State Portfolio 2 (which the CAISO stated represents the lowest cost scenario) anticipates 1,790 MW of additional Arizona imports.

APS would request that the CTPG revise its focus to align with the transmission planning assumptions supported by the CAISO and include additional case scenario "Solar Imports from Arizona" in their 2011 study plan that would include the renewable generation import from Arizona along with the imports from thermal resources that are already providing significant value to California electric customers.

APS is concerned that the current proposed direction appears to ignore the 2011/12 resource portfolio vetted by the CAISO stakeholder process in response to California's 33% renewable portfolio standard requirement.

To further this assessment, APS appreciates the CTPG's support in requesting the CAISO undertake a High Priority economic or policy study in its 2011/12 planning process for the Colorado River to Delaney 500 kV transmission project.

In an effort to more effectively coordinate future activities, please send all responses or follow-up questions and correspondence directly to:

Peter Krzykos

Arizona Public Service Company

502 S. 2nd Ave, M.S. 2259

Phoenix, AZ 85003

e-mail: peter.krzykos@aps.com

Thank you again for your consideration and cooperation on this effort.