

June 20, 2006

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

**Docket No. RE-00000C-05-0030**

**IN THE MATTER OF THE PROPOSED RULEMAKING FOR THE RENEWABLE ENERGY  
STANDARD AND TARIFF RULES.**

This letter is to clarify and provide additional information referenced in my verbal comments made June 5 at the Opening Meeting on the Renewable Energy Standard and Tariff Rulemaking.

Long-term, non-firm transmission tariff

Interwest believes that to cost-effectively deliver wind energy produced in Arizona's rural counties to load centers additional tariffs may be beneficial. Specifically, wind projects may be able to use "flexible-firm" and/or "long-term, non-firm" transmission products if these products are available on a long-term basis. At the present time the Federal Energy Regulatory Commission non-firm tariff is only allowed for a single year which is inadequate for wind projects to secure long-term project financing. Flexible-firm is a hybrid between firm and non-firm transmission. This type of tariff allows long-term access to a transmission path which is interruptible if the line is at capacity. The Bonneville Power Administration is experimenting this type of transmission product. Interwest recommends that the Commission investigate allowing additional transmission products to facilitate the movement of wind energy in the state.

Cost of Ancillary Services

Another important factor affecting the cost of wind project is ancillary services costs. Ancillary service costs are the costs incurred by a utility for operation of an intermittent resource. The costs include the costs for load following, additional regulating capacity and cycling. The National Renewable Energy Laboratory in its paper "*Grid Impact of Wind Power Variability: Recent Assessments from a Variety of Utilities in the United States*," compiled ancillary services cost information from a number of utilities that have wind plants in their service territory. Based on eight completed utility studies the total operating impact for integrating wind was relatively minor and ranged from undetectable (\$0) to \$4.97 per Megawatt hour. The wind penetration rate in the service territories in the studies ranged from 3.5% to 29%.<sup>1</sup>

Inaccurate or over estimated ancillary services costs can dramatically change the price and economics of wind projects. Thus, Interwest recommends that where possible, ancillary services

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<sup>1</sup> *Grid Impact of Wind Power Variability: Recent Assessments from a Variety of Utilities in the United States*, Michael Milligan & Brian Parsons, National Renewable Energy Laboratory, March 2006, slide 20.

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**Interwest Energy Alliance**

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costs are carefully scrutinized by the Commission to ensure that wind projects are assigned realistic costs that have been documented by utilities across the country.

Thank you for the opportunity to make verbal remarks on June 5 and to submit final written comments.

Interwest supports the adoption of the REST as proposed and appreciates the extensive amount of research conducted and input sought in the drafting of the rule.

Respectfully submitted,

Amanda Ormond  
Southwest Representative  
Interwest Energy Alliance

1 Attachment

Original and 13 copies filed with Docket Control, Arizona Corporation Commission, 1200 W. Washington St., Phoenix, AZ 85007

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