IBERDROLA
RENEWABLES

April 3, 2009

Transmission Infrastructure Program
Western Area Power Administration
P.O. Box 281213
Lakewood, CO 80228-8213

Re: Iberdrola Renewables, Inc. Comments on the Western Area Power Administration's Transmission Infrastructure Program

Iberdrola Renewables, Inc., appreciates the opportunity comment on the Western Area Power Administration's ("Western") proposed Transmission Infrastructure Program. Iberdrola Renewables submits the enclosed comments in response to the notice posted in the Federal Register on March 4, 2009, regarding Western's Notice of Proposed Program and Request for Public Comments, 74 Fed. Reg. 9391 (2009). If you have any questions or would like more information about Iberdrola Renewables' comments, please call me at (503) 796-7723 or contact me by email at donald.furman@iberdrolausa.com.

Sincerely,

Donald Furman
SVP, Business Development,
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Comments of
Iberdrola Renewables, Inc.

on
Western Area Power Administration's Transmission Infrastructure Program
Notice of Proposed Program and Request for Public Comments

Submitted April 3, 2009

Iberdrola Renewables, Inc. ("Iberdrola Renewables") appreciates the opportunity to comment on the Western Area Power Administration's ("Western") proposal to adopt a Transmission Infrastructure Program. Pursuant to the notice posted in the Federal Register on March 4, 2009, regarding Western's Notice of Proposed Program and Request for Public Comments, 74 Fed. Reg. 9391 (2009), Iberdrola Renewables hereby submits the following comments.

I. Background

Iberdrola Renewables supports initiatives designed to assist with the integration and delivery of renewable resources, such as the 2009 Recovery Act's provision of $3.25 billion in new borrowing authority to facilitate the delivery of renewable resources on the Western system. Recovery Act of 2009, Section 402. If Western carries out Congress' intent, this provision could help facilitate the development of thousands of megawatts of locationally-constrained renewable resources and spur the creation of thousands of jobs.

Iberdrola Renewables is a non-transmission owning public utility engaged, directly and through its subsidiaries, in the nationwide development of and marketing of electricity from wind, solar, biomass and thermal energy facilities, natural gas marketing, storage and hub services, and in providing other energy services. Iberdrola Renewables is the second largest wind energy developer and marketer in the United States, with more than 2,800 MW of wind generation capacity under its control. In addition, Iberdrola Renewables has over 2,000 MW of wind and solar under development for potential interconnection to Western's grid over the next several years.

Iberdrola Renewables' comments address both the process associated with development of the program, as well as the characteristics of the program itself. Generally, Iberdrola Renewables supports:

- An open and robust public process that allows parties a meaningful opportunity to participate in development of the program;
- A focus on transmission construction that will, in the near term, bring renewable resources to large liquid market centers with access to multiple customers;
- Participation in transmission projects through long-term contracts, including an open season period, allowing all generators and prospective customers an opportunity to participate once the specific projects are defined;
- Utilizing Western's resources to provide the ancillary services necessary to deliver renewable resources to markets:
- An embedded cost rate tariff structure; and
- Utilization of existing transmission studies where possible to expedite the process.

II. Open and Robust Public Process

Western's Federal Register Notice describes its proposed program as consisting of several major components, including (1) Project Funding, (2) Project Evaluation, (3) Project Development, (4) Project Operation and Maintenance, and (5) Project Rates and Repayment. 74 Fed. Reg. 9391, 9392 (2009). The Federal Register Notice also sets forth a number of "principles" which provide overarching guidance, and very general criteria regarding the major components. Western held one public meeting, on March 23, 2009, but has not provided further details with regard to the substantive aspects of the proposed program, nor has Western provided an overview of the process to implement the proposed program. With only a high-level, conceptual description to respond to, it is difficult for interested parties to provide substantive comments on the proposal.

The process used to develop and implement the program will be important in many respects. The process itself can make broad participation more or less likely, and can have the effect of either fostering or discouraging innovative ideas and solutions. In order to encourage broad

participation, and to meet the objectives set forth in the Recovery Act of 2009, Western should develop a detailed proposed process for the program that is open and robust, including meaningful opportunities for public participation and information sharing. Upon completion of the comment period, we encourage Western to hold an open meeting with interested parties to describe the process which will be utilized to evaluate and facilitate construction of facilities to allow the greatest number of renewable projects to reach prospective markets.

III. Bringing Renewable Resources to Liquid Market Centers

The Western Transmission Infrastructure Program is intended to facilitate the delivery of power generated by renewable resources. In order to do this effectively and efficiently, the proposed transmission projects must connect one or more significant sources of readily developable renewable energy with one or more significant recognized market hubs. In order to ensure that the benefits of renewable resources are maximized, they must be brought to liquid market centers. Specifically, we believe Western should consider (1) connecting wind resources in the Dakotas and Upper Great Plains to the load centers located around the Great Lakes, (2) connecting Wyoming wind resources to load centers in California, and (3) evaluating a combination of wind and solar resources in New Mexico for connection to the load centers of the Desert Southwest.

IV. Generator and Customer Participation in Transmission Projects

Western should adopt an open season process to address participation in and financing of transmission upgrades under the Transmission Infrastructure Program. An open season process can produce customers that are willing to sign long-term firm service agreements and make long-term commitments related to use of, and cost recovery for, facilities once actual projects are defined. Iberdrola Renewables has participated in the Bonneville Power Administration's Network Open Season process, and believes that Western should adopt a process with some similar features.

Specifically, Iberdrola Renewables recommends that, as part of the Transmission Infrastructure Program, Western adopt an open season process that allows a customer to commit to purchase new transmission service, in exchange for Western providing such service (1) at embedded cost rates, and (2) subject to the requirements of the national Environmental Policy Act, if construction of new transmission facilities is required. Western should eliminate participant-funding of new transmission facilities; except for the facilities necessary for the direct interconnection of renewable projects, and the associated crediting mechanism which negatively impact the economics of a transmission purchase.

Western should pay for the initial costs of studies and environmental analyses, and should utilize existing studies wherever possible to expedite the process and avoid unnecessary duplication. Performing initial studies based upon a cluster model, which aggregates transmission requests to identify necessary upgrades, is one way to meet transmission study needs at embedded cost rates.

With Western's expansive hydro resources and access to many independent power producing generators, Western is in an ideal position to secure and provide ancillary services to the transmission grid to enable the reliable delivery of renewable resources to load centers. The need for ancillary services is often neglected by proponents of new transmission projects; however, ancillary services are critical to a reliable and robust transmission grid and necessary for load serving entities to increase their purchases of renewable energy.

V. Conclusion

Any Transmission Infrastructure Program adopted by Western should include:

- An open and robust public process that allows parties a meaningful opportunity to participate in development of the program;
- A focus on transmission construction that will bring renewable resources to liquid market centers;

- Participation in transmission projects through long-term contracts, including an open season period, allowing all generators and prospective customers an opportunity to participate once the specific projects are defined;
- An embedded cost rate tariff structure;
- Provision for ancillary services; and
- Utilization of existing transmission studies where possible to expedite the process.