

April 3, 2009

Comments on Behalf of LS Power Associates, L.P. on the Proposed Transmission Infrastructure Program

Pursuant to the Federal Register Notice in Federal Register Vol. 74, No. 41, LS Power Associates, L.P. ("LS Power") submits the following comments on the Proposed Transmission Infrastructure Program ("TIP") by the Western Area Power Administration ("Western") to implement section 402 of the American Recovery and Reinvestment Act of 2009 ("Recovery Act").

1. Introduction

LS Power is an independent power generation and transmission group with a proven track record of successful development activities, operations management and commercial execution. LS Power has been involved in the development, construction, or operations of over 20,000 MW of power generation throughout the United States. LS Power is actively developing both power generation and transmission infrastructure to serve the need for new generation, improve the aging transmission system, and facilitate the delivery of renewable energy resources.

LS Power through its affiliates is actively developing new transmission projects to facilitate renewable resources with at least one terminus in Western's service area including the Southwest Intertie Project and the Overland Intertie Project. Additionally LS Power is developing transmission facilities outside of Western's service area in states like Texas where LS Power subsidiary, Cross Texas Transmission, LLC, was recently selected through a competitive process by the Public Utility Commission of Texas to develop over 200 miles of double-circuit 345kV transmission lines and related facilities.

2. Specific Comments

A. Identifying Projects

LS Power commends Western for its work in having already developed and issued a Request for Interest ("RFI"). In order to fulfill the intent of the Recovery Act, Western should place a higher emphasis on advanced transmission projects in which it can participate to utilize its Federal borrowing authority. LS Power believes that increased coordination, increased studies, new processes, and working groups can all benefit the region covered by Western's service area. However, LS Power is concerned that considering proposals for these purposes along with proposals for real transmission projects will hinder Western's ability to compare alternatives and make decisions in a timely manner. LS Power

suggests that Western perform separate evaluations for advanced transmission projects and conceptual transmission projects. The majority of funding should go toward supporting and advancing projects that can be placed in service most quickly with the least amount of work. Support for more conceptual transmission projects, that is projects without receipt of approvals and routing, should be limited to support of study work and proof of concept, and should be limited to a relatively small dollar amount. Further, Western should ensure that transmission projects submitted in the process are truly real projects. If a transmission project is submitted as a mere concept with no studies, no sponsor, and no development work performed Western should consider it as such and either reject it or evaluate it as a concept only.

B. Timing of Projects

In order to carry out the Recovery Act goals of stimulating economies, creating new jobs, and quickly building a foundation for future growth Western should consider transmission project timelines as a primary factor in evaluation. In addition to the planned timeline, the risk of delays should also be considered. Environmental review and approval, permitting, and state regulatory approvals often take longer than expected. Delays caused from these activities will act to change the project benefits, increase costs, and put projects in jeopardy. As part of the evaluation criteria Western should consider the completed development activities and the risks presented from outstanding permits and approvals needed to begin construction.

C. NEPA

Utilizing Western's Federal borrowing authority has the potential to trigger National Environmental Policy Act ("NEPA") review, particularly if it is Western's support for the project which enables the project to proceed. While it is good practice to consider the environmental impacts of transmission projects, doing so can be a lengthy and costly process. As such, transmission projects that have completed NEPA review should be given preference over projects that have not. Western should consider the amount of time that completing NEPA analysis will take for projects that have not completed NEPA work.

D. Leverage Borrowing Authority

A vast amount of large-scale high voltage transmission is needed in order to incorporate the amount of renewable energy resources envisioned by President Obama and the individual states that have enacted renewable portfolio standards. The \$3.25 billion in Federal borrowing authority granted to Western in the Recovery Act has the potential to bring significant new transmission projects needed to facilitate renewable resources to fruition, but only if the authority is used wisely. Large transmission projects are very capital intensive and the

authority granted to Western would make only a minor impact if used to wholly fund projects. However, if Western's authority is utilized in partnership with private entities under structures that make use of the entities financial capabilities then the Federal borrowing authority can be used to bring a higher level of new transmission to reality so that more benefits are realized.

E. Renewable Resources

Western's service area covers many of the regions identified to have some of the best renewable resources in the U.S. The wind, solar, and geothermal resources within the service area are particularly well suited to deliver economic renewable energy. LS Power believes that no single technology is the answer to all renewable needs and that instead a portfolio of renewable resources will better fill the need for renewable energy. A portfolio of wind, solar, and geothermal resources will allow the inherent differences between these resources to compliment one another. The diversity among these resources could reduce technology risk, lower integration costs, and increase transmission utilization. When evaluating the renewable resources that will be facilitated by new transmission projects Western should also consider whether the transmission project will facilitate a diverse portfolio of renewable resources.

F. Delivery Points

In considering transmission projects it is important to examine the renewable resources that the project will facilitate. However, it is also important to evaluate where the renewable energy will be delivered. A transmission project that simply provides transmission access to remote renewable projects is of little value if it does not deliver them to load centers where they are consumed. Further the market in which the renewable energy is delivered must have a need for renewable resources or be forecasted to have a need for renewable resources. If renewable energy can be delivered to a market, but there are no buyers of that energy then the project will do little to facilitate the renewable resources.

G. Flexibility

In order to facilitate the highest amount of quality transmission to provide the most benefits Western should remain flexible in the type of arrangements that it makes. The projects submitted to Western will be in varying stages of completion with differing types of entities as the developer. As such it is unlikely that any one commercial arrangement will provide each project with the means needed to bring their project to fruition. By remaining flexible Western can ensure that its borrowing authority is used in the most efficient manner to provide the maximum benefits.

3. Conclusion

LS Power commends Western for developing a program to fulfilling the goals of the Recovery Act and understands the difficulties and importance of the task. Investment in new transmission infrastructure will act to facilitate renewable resources, create jobs, stimulate economies in the near term, and create a foundation for future growth. LS Power appreciates the opportunity to submit these Comments on the TIP and urges Western to consider them in implementing a program to utilize Western's Federal borrowing authority granted under the Recovery Act.