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Sent: Friday, December 04, 2009 1:08 PM

To: Edwards, Michael; Mechenbier, Jeff

Subject: Shell's Comments on PNM Queue Reform

Importance: High

Dear Messrs Edwards & Mechenbier,

Thank you for affording us with the opportunity to comment on your proposed Transmission Interconnection Queue Reform (TIRQ). We concur that TIRQ via a Cluster Study approach is a welcome step in the right direction. After thoroughly reviewing the proposal outlined at your Transmission Planning Meeting held on November 5th, 2009, we have identified some ways to strengthen the proposal. As such, we would like to offer the following comments and suggestions for consideration in your upcoming strawman and ultimate filing of the waiver request to FERC. In due course, incorporating these comments would allow you to undertake this much overdue effort in clearing up the interconnection queue. Overall, we advocate a shorter timetable to conduct the "transmission study" that would increase the probability of bringing utility- scale wind generation resources to New Mexico.

> Study Timeline for Clearing the Queue:

§ A 15-18 month timetable would be a better option and can be reasonably achieved with the in-cooperation of a few suggested changes. The 18-months timetable could be achieved by i) kicking off the study process the day the waiver request is filed with FERC (as opposed to waiting for approval), ii) including short circuit studies as part of the Phase I studies thereby cutting the time allowed for Phase II studies iii) requiring financial commitment much earlier in the process thereby facilitating earlier exits of non-ready projects and v) cutting the time allowed between distributing the study results, setting up results meetings with customers and executing agreements for subsequent study phases.

§ The 27 months is far too long for "transmission studies" considering the fact that we have already lost more than 2-yrs in the current process. Day-1 of the 27-months is undetermined at this point and a study process, whether cluster or serial, spanning more than 5-yrs is unacceptable especially on a 2600-MW peak load system. Admittedly, the CAISO has a similar timeline, but in contrast, that is a 50,000+MW peak load system that is more complex.

> Technical Approach to Study:

§ Phase I of the study should include the short circuit analysis (in addition to the thermal) and like CAISO, PNM should use the short circuit impact to pro-rata assign the transmission network upgrades costs.

§ Study should incrementally build-up to the full amount of the generation interconnection requests for each individual cluster. In doing so, the amount of time required for re-studies will be minimized, as developers inevitably withdraw.

> Posting of Financial Commitment & Timing:

§ Letter of Credits (LOC) should be an acceptable instrument in providing the required financial security. The drawdown against the LOC should be closely tied to the actual financial damage caused by an individual developer withdrawing from the Cluster Study process.

§ The security requirements should be lowered to 10% of developer's pro rata share of the projected transmission upgrade costs and should be required much earlier in the process - ideally between Phase I and Phase II. The security requirements could then be increased to higher amounts after Phase II and/or Phase III. Again, this will help to more efficiently rid the process of the speculative or non-ready projects.

Sincerely,

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