

Status of Implementation of the STEP Short-term Upgrades

Progress Report to STEP

June 29, 2005

Bob Smith – Sub-group Chair

Allocation and Contractual Issues

- Short-term upgrade participants
 - APS, IID, SCE, SDG&E
- MOU is now Participation Agreement
 - Specify plan of service
 - Specify how facilities are paid for
 - Specify how capability increase will be allocated
- Second round of legal review and redraft
- Cost responsibility and allocation agreed upon
- Issue of obligations, default, damages, liabilities
- Issue of SDG&E scheduling costs for increase

Other Developments

- Project team formed
- Technical team formed to study impact of facility outages
 - Studied potential impact on:
 - Path 49 – Tom Isham (APS)
 - SCIT – Ying He (SCE)
 - PV-Hassayampa hub generation – Jim Hsu (SRP)
 - Study results show no significant incremental impact to that of other scheduled work
- SDG&E and CAISO SWPL Agreement
 - Addresses SDG&E scheduling costs

Next Steps

- SCE to draft language to resolve project obligations, default, damages, and liability
 - APS, IID, SDG&E comments by July 8
- Sign participation agreement
- Finalize outage schedule
- Sign contacts for work

Hassayampa-North Gila Line

■ Sag mitigation

- Survey complete – including line patrol by helicopter
- Detailed review complete
- Mitigation plan consists of combination of dirt removal, classification as pedestrian use only, fencing)
- Preparation for permitting in progress
- Estimated costs \$3 M
- Issues:
 - Potential line outage requirements
 - Permitting – timeliness not guaranteed

Hassayampa-North Gila Line

- Pipeline induced Voltage
 - Study complete – shows some mitigation required
 - Kinder Morgan reviewing the report
 - Estimated mitigation cost \$250k
 - Kinder Morgan very slow in responding but not yet in critical path (mitigation can be done in 3 months once agreement is achieved)

Hassayampa-North Gila Line

- North Gila series capacitor bank
 - Preliminary design studies in progress
 - Working with the vendor on drop dead date for order to meet June 06 completion date
 - Outage of series capacitor bank of up to 4 months required
 - June 06 completion still possible but cost will likely be high due to turn key project
 - Estimated cost \$5 -\$7 M

Questions???