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Tucson, AZ 85716
Sent electronically and by U.S. Mail July 31, 2013

The Honorable Martin Heinrich
United States Senate
B40D Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Heinrich:

I have read Milan Simonich's February 26, 2013 article "Military, power line at odds," which quotes you at length about the SunZia Southwest Transmission Project. As a resident of Arizona who will be greatly affected by this project, your comments deeply trouble me because you seem unaware of the deeper facets and difficulties of this project. In addition to the great environmental losses that Arizona must suffer to complete this project, SunZia has been far less than transparent in its intentions. The company has engaged in political manipulation on an unprecedented scale for a western transmission project, and the background of the man behind the project – Tom Wray – is a matter of considerable concern. I would like to address these issues with you.

Impacts to Arizona

- To complete this project in Arizona requires the sacrifice of high-quality environmental values by routing this down the sensitive San Pedro Valley for 45 miles or over the Galiruo Mountains between the Aravaipa Canyon and Galiuro Mountain Wildernesses. Arizona's environmental community unanimously opposes both routes because of the magnitude of the environmental losses that would result. Without stopping this project, we cannot save these places. If exporting New Mexico's wind-generated electricity were a central purpose of this project, a more northerly route would have resulted in far less environmental impacts. The Southline Project will do all that SunZia will in southwestern New Mexico.
- In addition, SunZia stops far short of completing the transmission circuit to California. The Arizona power market cannot support SunZia or New Mexico's power developers. We have no need for your power. California does not necessarily need it either, but only that market can support New Mexico power producers. For New Mexico to have what it wants requires robbing Arizona utilities and ratepayers of \$400 million of new transmission capacity being built for our use. SunZia does not even reach the Palo Verde hub, which is the distribution point for power to California. SunZia greatly exploits Arizona by forcing its citizens to complete the construction of this transmission system for New Mexico's benefit. We cannot permit this.

SunZia's Deceptions and Manipulations

- The SouthWestern Power Group originally proposed SunZia in part to support the company's not-yet-built Bowie, Arizona, 1,000-megawatt natural gas-fired power plant. SWPG has assiduously refused to acknowledge this potential use in order to protect and enhance the project's renewable energy image. SWPG's initial intentions did not disappear simply because the project was lengthened to reach central New Mexico. While New Mexico may potentially derive significant benefit from the project, your state should not be willing to gain this benefit through the use of such public deceit. Without demonstrating to financiers that the Bowie plant will use SunZia, it is unlikely that this project can be funded.
- In the spring of 2011 Tom Wray and SunZia wrote a bill that they tried to get the Arizona legislature to pass exempting SunZia (interstate transmission projects) from full oversight by the Arizona Corporation Commission. This bill would have eliminated review by the Power Plant and Line Siting Committee and forced the Corporation Commission to rubberstamp the project, potentially without public hearings. This would have dispensed with public input at the state level, prohibited the Commission from considering alternative routes, required a decision on the project within 90 days, and given SunZia a minimum of 20 years to build the project. This bill was defeated by a broad coalition of ranchers, San Pedro Valley residents, and the environmental community.
- When SunZia submitted its first petition to the Federal Energy Regulatory Commission for a Declaratory Order for the project, the company made unprecedented requests that violated established practices. The SouthWestern Power Group attempted to secure its share of the project's transmission capacity for its own generation facilities without ever offering that capacity on the market to others. The only generation facility that this company has or intends to construct is its Bowie, Arizona 1,000-megawatt natural gas-fired power plant. SWPG asked to reserve 1,200 MW of transmission capacity for its own use. This was denied.
- While publicly stating that it supports the BLM's preferred alternative for this project, SunZia strongly opposes the choice of routes at the western end of the project in Arizona because of the increased length. If SunZia's lobbyist Stan Barnes is correct, the company intends to overturn the preferred alternative when the project goes before the Arizona Corporation Commission if the BLM does not give SunZia its desired route in the Record of Decision.

When the Draft Environmental Impact Statement for SunZia was released, the company lobbied every county commission, town council, and Chamber of Commerce along the route in southeastern Arizona asking them to write letters demanding that the BLM give SunZia its desired route, which passes over the Galiuro Mountains at Aravaipa. Through this strategy, SunZia obtained seven letters asking for this change. Making this change would increase the length of entirely new transmission corridor from 43.8 miles to 103.3 miles while cutting 28.2 miles from the project's overall length. While saving money, this would increase environmental impacts significantly.

Stan Barnes, SunZia's chief lobbyist, publically discussed this strategy for changing the route with Pima County Supervisor Ray Carroll at the public review meeting for SunZia in June of 2012. Mr. Barnes assured Mr. Carroll that the Arizona Corporation Commission would do what local governmental officials wanted and overrule the BLM's choice if only they would ask. The project passes through Mr. Carroll's district, which strongly opposes the project. Making the change would remove the project from his district. Mr. Carroll declined to comply with the request.

- SunZia has advanced its project almost entirely through political manipulation. The company has not comprehensively analyzed those factors that govern the project's viability or fully assessed the feasibility of privately building such a project. To further its ends, SunZia has relentlessly exploited New Mexico's and the Obama Administration's desire to develop renewable energy and has engaged in political manipulation on an unprecedented scale for a western transmission project. No other project has so aggressively attempted to manipulate public officials and legislators to achieve its ends. If this project has true merit, such far-reaching manipulation should be unnecessary.

Background on Tom Wray and the SouthWestern Power Group

To understand SunZia, it is essential to understand Tom Wray's background and his relationship to this project. He and the SouthWestern Power Group proposed SunZia without ever having built a project. Mr. Wray started the tiny Southwestern Power Group in the late 1990s when he was out of a job. The utility industry had just been deregulated, allowing merchant (independent) companies to build power plants and transmission lines for the first time. Not having resources of his own, he tried to develop ideas that he could sell to other companies, the first being that of the giant 2,400-megawatt Gila Bend, Arizona natural gas-fired generating station. He was subsequently able to sell this idea to Panda, which paid him for it. He then got out of the project, leaving Panda facing a nearly \$1 billion bankruptcy two years after the project was completed in 2003.

Shortly after selling the idea of the Gila Bend power plant to Panda, Mr. Wray convinced the MMR Group of Baton Rouge to bankroll him in exchange for proposing and permitting natural gas-fired power plants. MMR had done the electronic controls for the Panda plant. Mr. Wray promptly proposed two more plants before the Gila Bend project went bankrupt – the Toltec and the Bowie plants. The Arizona Corporation Commission denied the permit for the Toltec plant because, among other things, he could not demonstrate a need for it, but it approved Bowie. Bowie has never been built for the same reason that the Gila Bend plant went bankrupt – the cost of natural gas greatly increased at the time, and the market for power needed to support the plant has never materialized.

Mr. Wray never did a feasibility study for these plants or assessed their true need. He proposed adding 5,400 megawatts of generating capacity to the Arizona grid simultaneously – 1,200 megawatts more than the maximum output of the Palo Verde nuclear generating station and more than 40% of the peak load of the entire state of Arizona. Even today, 10 years after the Gila Bend plant was completed, that plant is operating at only 30% capacity. Mr. Wray never methodically assessed the need for this much new power generation.

He has approached SunZia in exactly the same way. To fully utilize SunZia's capacity would likely require 30 years or more, and the project is unlikely to pay for itself in the timeframe required for a merchant company to avoid financial failure. The growth in the market for power to support this much transmission capacity is likely to be much too slow. Successfully completing such a project while avoiding financial collapse requires anticipating this slower growth and planning for it. All indications are that SunZia has not done this.

SunZia can only be built if utilities sign enough power purchase agreements with prospective energy developers *before* the project and any generation facilities are constructed. A project cannot be built based merely on speculations about future use. Capacity interest, interconnection requests, and anchor tenant agreements are no substitute for actual power sales. Any financier who funds this project could easily lose hundreds of millions of dollars without these solid assurances of actual power purchases. Building a project with the hope that it might be used after construction entails far too much risk for investors, and this project has yet to gain the power-purchase commitments from utilities needed to finance it.

Unrealistic Expectations

Your comments demonstrate your high expectations for this project, which I believe are unrealistic. While this project could benefit New Mexico over time, its benefits are likely to be much less than you expect and to develop over a much longer period. This project is not going to suddenly unleash thousands of megawatts of New Mexico's power for use in western states. These other states have far too much renewable energy of their own for New Mexico's energy to supplant it so easily.

You have also not examined the alternatives to this project, and there are several. New Mexico has four additional, active transmission projects aimed at exporting renewable energy: Centennial West, Lucky Corridor, Western Spirit (formerly Power Network New Mexico), and the Southline Project. The northerly leg of the High Plains Express Project also remains a possibility. Building this much transmission capacity in addition to SunZia cannot be justified physically or financially. It is not feasible or reasonable to build all of it in essentially the same timeframe. New Mexico must choose which projects to build.

In addition, New Mexico is far behind in developing its wind resources for its own use. The state has somewhat less than 800 megawatts of installed wind-generating capacity. This compares with more than 5,000 megawatts of installed capacity in Iowa, which obtains 20% of its power from wind. Most of Iowa's capacity is used in-state. The population of New Mexico is approximately 2 million, that of Iowa, approximately 3 million. New Mexico has a long way to go in developing its resources for its own use, which should be done before considering exporting renewable energy on such an extraordinary scale. The biggest market that New Mexico has for its power is New Mexico.

Conclusions

In conclusion, I ask you to think about this project more critically and soberly. Your comments suggest that you have been completely taken in by it and SunZia's lobbying. This project has

significant drawbacks, and its benefits have been greatly overplayed, especially for the timeframe for which they are promised. I urge you to think more about your neighbors in Arizona as well and to realize that this project faces fierce opposition here. It must survive that opposition to succeed. This project cannot be completed without great losses to us.

Also incumbent upon public officials is the need to prevent the enormous financial losses that could accompany building this project. Minimizing these losses requires a careful, detailed, in-depth feasibility analysis, and SunZia's statements and actions indicate that this has not been done. Mr. Wray and the SouthWestern Power Group have proposed and advanced this project attempting to be first in the western market without comprehensively assessing those factors that determine the project's viability. Such an assessment is needed to protect those companies that might invest in it. It is dangerous to advance a project by merely hoping that being first will ensure success. Salesmanship without comprehensive analysis can be financially disastrous.

The renewable energy potential of this project has also been greatly overplayed. The project's ability to facilitate renewable energy development has been highly idealized to sell the project to the public and policy makers. Legislators, elected officials, potential power developers, and others have been so enamored with this idealized scenario that they cannot readily recognize the project's actual limitations, how potentially unrealistic and risky it is to build it, and how much the project's eventual use may differ from what SunZia has presented. True success and economic viability require hard-nosed realism, and those individuals selling and championing this project are yet far from this.

Sincerely,

A handwritten signature in black ink that reads "Norm 'Mick' Meader". The signature is written in a cursive, slightly slanted style.

Norm "Mick" Meader
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