

November 10, 2010

Jaime Lyle McAlpine, P.E.  
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2909 NW 156<sup>th</sup> Street  
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RE: Your Comments of October 25/26 on Priority Projects 942 and 943

Dear Jaime:

We appreciate your comments presented to the SPP Regional State Committee and Board of Directors meetings October 25 and 26, respectively regarding your concerns with the modifications in Projects 942 and 943 of the Priority Projects. SPP has reviewed and assessed the information Chermac Energy Corporation delivered at the meetings and our position remains unchanged regarding the need for the Woodward to Medicine Lodge transmission line and the approved terminus points. As for specific routing of the line, please keep in mind that while SPP addresses the need for new transmission lines and the corresponding terminus points, the state regulatory bodies have jurisdiction over the specific siting and routing of the transmission lines.

SPP was charged with identifying, evaluating, and recommending Priority Projects that would improve the SPP transmission system and benefit the region, specifically projects that would reduce grid congestion, improve the Generation Interconnection and Aggregate Study processes, and better integrate SPP's east and west regions. As part of the analysis performed by SPP for Priority Projects Phase II, both the Woodward to Comanche and Woodward to Medicine Lodge projects were analyzed and met the requirements set forth for the Priority Projects. While both projects provided benefits to the electric grid and new wind power development with negligible electrical differences, the Woodward to Comanche project was initially chosen due to its shorter distance and the associated expectation of reduced costs. The modifications subsequently proposed for Projects 942 and 943 at the Regional State Committee and Board of Directors meetings still clearly meet the Network Upgrade Justification of Priority Projects of the original NTCs 20100 and 20102.

The environmental impact of the Woodward to Comanche project was noted in the original analysis of the Priority Projects. A more recent review by SPP indicates these impacts are potentially more significant than originally understood. The environmental impact of the Woodward to Medicine Lodge project is supported by recent communication SPP has received and made readily available from several entities, including the Oklahoma Department of Wildlife Conservation, the Kansas Department of Wildlife and Parks, The Nature Conservancy, The National Audubon Society, and the United States Fish and Wildlife Service. These entities have emphasized their past and continued conservation efforts within the Red Hills and surrounding prairie areas would be severely hampered or ruined if any projects through the western area were to be developed. It is true there will be additional costs for the increased mileage of the Woodward to Medicine Lodge project, however the benefits to cost ratio of the Priority Projects remains positive.

I would like to address the specific comments raised in your written comments.

1. *Chermac believes that the proposed modification is extreme for the following reasons:*

a. *It requires an additional cost of \$93 Million per SPP Engineering Priority Project Update and utility estimates and adds at least 39 miles of 345 kV dbl ckt line that is not necessary.*

The SPP Members Committee and Board of Directors considered the input from everyone who wished to speak on October 26, 2010. Having weighed that input, the need for a project in this area, and the impacts to costs and benefits, the decision was made to proceed with the Woodward to Medicine Lodge project as an electrically equivalent alternative to the Woodward to Comanche project.

b. *Proposed modification route is through non-wind production areas.*

The primary goals of the Priority Projects were to reduce grid congestion, improve the Generation Interconnection and Aggregate Study processes, and better integrate SPP's east and west regions. The approved modification is consistent with the original Priority Project goals.

c. *Proposed modification route is through highly sensitive environmental habitat and moves closer to, or into, major migratory bird paths in Oklahoma and Kansas.*

SPP has not stated nor claimed that the Woodward to Medicine Lodge project mitigates all environmentally sensitive habitats. The Transmission Owners and a substantial number of state and federal agencies have expressed strong support for this project as the preferred alternative due primarily to environmental impacts.

d. *There are 2 potential almost direct North-South routes that do not add cost or mileage to transmission line NTC and that have limited environmental impact based on year long studies performed along these routes and public Oklahoma/Kansas Wildlife data and published studies (see Comanche-Woodward EHV map with Ok/KS Dept of Wildlife spatial data on following page, attached E-970 paper titled "Ecology and Management of the Lesser Prairie Chicken" with contributions from the U.S. Fish and Wildlife Service, U.S. Department of Agriculture, Kansas Wildlife and Parks, Oklahoma Department of Wildlife Conservation, Oklahoma Biological Survey and several private environmental groups; and the "Avoidance and Movement Behavior by Prairie Grouse" study results by Sutton Avian Research Center and Oklahoma Biological Survey).*

SPP has not suggested there are no other alternatives. However, as stated above, SPP has received significant support from several agencies for a project that results in an eastern route. In some cases there appears to be conflicting positions from certain agencies and we are using the resent positions in letters addressed to SPP. Our interpretation of the responses we have received indicates there are environmental concerns on the North-South routes you have noted.

2. *Chermac believes that the proposed modifications are not moderate or fair for the following reasons:*

a. *Proposed route bypasses major wind producing areas in Oklahoma and in the future Kansas.*

The existing wind production in that area is already interconnected with the SPP grid. See response to 1.b. regarding the purpose of the Priority Projects.

- b. *Proposed route has no value in opening new areas for wind development because it is located in rugged terrain areas of Oklahoma which are environmentally sensitive for habitat of mammals, birds, and reptiles such as the Endangered Interior Least Tern, the Threatened Mexican free-tail bat and the Threatened Texas Horned Lizard.*

As noted above, the primary goals of the Priority Projects were to reduce grid congestion, improve the Generation Interconnection and Aggregate Study processes, and better integrate SPP's east and west regions. SPP's focus is on transmission for the region without regard to specific generation resources.

- c. *Proposed NTC Modification Route adds costs to all Transmission Owners in SPP under Highway-Byway that are not necessary with either of the more direct North-South route options.*

See response to 1.d. above.

3. *Chermac believes that the proposed modifications are not inexpensive for the following reason:*

- a. *Added cost of \$93 Million for proposed Comanche – Woodward 345 kV dbl ckt EHV which all Transmission Owners (and their ratepayers) pay for under Highway – Byway cost allocation.*

SPP does not dispute that the Woodward to Medicine Lodge project adds costs to the Priority Projects.

4. *Chermac believes that the proposed NTC 942 and 943 modifications are not rational for the following reasons:*

- a. *Extremely more expensive.*

See response to 1.a. above.

- b. *Less value for new wind development areas that direct North-South routes as shown on map below.*

The existing wind farms shown on the map already have interconnections to the SPP transmission grid.

SPP will continue to monitor and track the progress of Projects 942 and 943, along with the other upgrades approved within the Priority Projects, according to our established criteria and procedures. As a relationship-based, member-driven company we always appreciate input from those that are involved with maintaining the reliability of the electric grid Thank you again for your comments and your continued participation in this process.

Sincerely,



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