

Tres Amigas aims smaller after 'ambitious' plan stalls

Edward Klump, E&E News reporter

Tres Amigas LLC is downsizing plans for an electric superstation centered in New Mexico, but it's still pursuing a way to help move power across the United States.

The refined strategy, described by Chief Financial Officer Russ Stidolph, includes a link between the nation's Eastern and Western grids using a capacity of around 200 megawatts, not 750 MW as once planned. Tres Amigas also may pursue a tie to Texas' main power grid, but it's not a priority right now.

The project has seen ups and downs since Tres Amigas outlined its vision back in 2009, when CEO Phil Harris called for progress in breaking "our nation's transmission bottleneck." Tres Amigas once suggested the project could cost \$1.9 billion through various phases, but Stidolph said the focus now is on an east-west connection with a possible \$200 million price tag.

"I think we were a little ambitious a few years ago and we were trying to build a much larger project, which made it a little bit more difficult to get it done," Stidolph said in a recent interview. "We've scaled it back."

Tres Amigas is also making progress as part of Western Interconnect LLC, which it formed with Pattern Energy Group LP to develop a transmission line in New Mexico. The 35-mile, 345-kilovolt merchant line from another company's substation to a switching station may begin commercial operation by January.

The project is relevant in part because a filing with the Federal Energy Regulatory Commission indicates Tres Amigas intends to acquire Pattern Energy's majority interest in the transmission line once the superstation project progresses further.

For now, Stidolph said Tres Amigas is taking a practical approach as it focuses on a smaller link of Eastern and Western grids.

"Is the financing right around the corner? No," he said. "Do I think we'll have it teed up in the next six months? Probably not. Is it feasible to think that in the next 12 to 18 months we can get it done? The answer is yes."

Once financing is in place, construction on the upcoming phase could take a couple of years. That means it may be 2020 before the East-West connection comes online. A link to the East would need an agreement with a unit of Xcel Energy Inc. known as Southwestern Public Service Co.

Wes Reeves, a spokesman for Xcel, said earlier that work on an interconnection agreement stopped after Tres Amigas officials didn't hit certain milestones.

"We knew at the time that they would likely come back when they got a little further ahead in their planning, and we expressed our willingness to work with them again on a new agreement when they are ready," Reeves said in a statement.

Pondering Texas

One wild card is a possible link to the Electric Reliability Council of Texas (ERCOT), the main grid operator in the Lone Star State. A capacity of about 1.5 gigawatts was discussed previously for the connection, but Stidolph suggested it might be around 300 to 500 MW — if it happens.

Connecting to ERCOT is "something we're not pursuing today," he said, though Tres Amigas is interested in getting there eventually. The total project cost could stay under \$1 billion even with an ERCOT leg.

Tying into Texas' main power market would attract attention, and the Public Utility Commission of Texas values keeping its role as the primary electric regulator for ERCOT's region.

At ERCOT, work continues "with stakeholders and policymakers on specific rules and procedures that would need to be addressed" before certain large-capacity ties could connect to the grid and market, according to Robbie Searcy, a spokeswoman.

Tres Amigas' project is designed to provide the grid with reliability and efficiency while generators gain access to new markets, Stidolph said. It could get bigger if demand was there, and Stidolph said stops and starts weren't unexpected.

The utility world is "very set in its ways," he said, but also good at keeping the lights on for consumers.

Much of the focus around Tres Amigas has included its potential to carry renewable energy tied to wind and solar, though Stidolph said other sources could be in the mix.

Stidolph still described Tres Amigas as "revolutionary," despite its evolution, saying sharing electrons between two or three grids would be good for the country. AltEnergy LLC, a private equity firm founded by Stidolph, is an investor in Tres Amigas.

"I still scratch my head and ask myself, 'Why hasn't this been done yet?'" Stidolph said of the proposed superstation.

Michael Giberson, an associate professor of practice at the Rawls College of Business at Texas Tech University, said the initial plan from Tres Amigas was ambitious. But Giberson said he likes the concept and what it could mean for the efficiency of moving power through Eastern, Western and Texas grids.

From an economics point of view, "you've got the three isolated power systems," he said. "They have their peaks and valleys at different times."