



FEDERAL ENERGY REGULATORY COMMISSION

March 18, 2010

Chairman Jon Wellinghoff

Docket Nos. EL10-22-000 & EL10-396-000

Item Nos. E-11 & E-12

Statement of Chairman Jon Wellinghoff on Tres Amigas

"Thank you to the Team for that presentation, and your work on these cases. With these two orders, Tres Amigas will be able to continue development of its innovative transmission project. Simultaneously, the Commission has ensured that the rates to customers will be just and reasonable.

This project, which is the first of its kind, will allow customers to trade power across the interconnections and to take advantage of opportunities to buy lower cost power from other regions. It may also open a new transmission path for customers interested in tapping the vast renewable energy potential in many parts of the country – Texas, the Southwest, the West and Northwest, the Southeast and the offshore Atlantic.

Tres Amigas is a merchant project, meaning that the costs and risks of developing and operating the project are borne by the projects' investors and not by utility ratepayers. The success of the project will depend on the demand for its services. As such, rather than establishing rates through a rate case, the Commission is authorizing Tres Amigas to negotiate the price for those services with interested customers. The price spreads between the interconnections will create opportunities for trading, and will discipline potential exercise of market power. In addition, the order we vote on today places additional checks to ensure that the negotiations will produce just and reasonable rates. As Staff mentioned, the order requires Tres Amigas to offer the project's capacity to interested customers through a fair, open and transparent open season. Tres Amigas will be authorized to enter bilateral negotiations with anchor customers for a portion of the project's capacity, but again there are conditions on this authorization to ensure that rates for the project's services are just and reasonable. Nevertheless, I think that within the four corners of the conditions placed by our order, there is flexibility for Tres Amigas to structure products and negotiate rates with interested customers. Tres Amigas is a prime example of the creativity and pioneering thinking that our country needs to expand the ability of the transmission grid to reliably deliver all sources of electric generation.

Finally, while we ultimately decline Tres Amigas' request to grant a blanket disclaimer of jurisdiction, other avenues are available to resolve the jurisdictional issue, specifically the exception under Federal Power Act sections 210 and 211. Thus, going forward, Tres Amigas retains the opportunity to file an application under the Federal Power Act which sets out the specific facts and circumstances of the proposed interconnection and attendant transmission facilities. We look forward to receiving such application in the future."

