

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Investigation into Implementation of
Assembly Bill 970 Regarding the Identification of Electric
Transmission and Distribution Constraints, Actions to
Resolve Those Constraints, and Related Matters Affecting
the Reliability of Electric Supply.

Investigation 00-11-001
(Filed November 2, 2000)

**COMMENTS OF THE
CALIFORNIA WIND ENERGY ASSOCIATION
ON THE REPORT OF THE
TEHACHAPI COLLABORATIVE STUDY GROUP**

Received

APR 06 2005

Public Utilities Commission
Mailroom

Nancy Rader
Executive Director
California Wind Energy Association
1198 Keith Avenue
Berkeley, CA 94708
Telephone: 510-845-5077
nrader@calwea.org

April 6, 2005

**COMMENTS OF THE
CALIFORNIA WIND ENERGY ASSOCIATION
ON THE REPORT OF THE
TEHACHAPI COLLABORATIVE STUDY GROUP**

Pursuant to Ordering Paragraph 7 of Commission Decision 04-06-010, issued on June 9, 2004, the California Wind Energy Association (“CalWEA”) submits these comments on the Report of the Tehachapi Collaborative Study Group (“TCSG Report” or “Report”). CalWEA participated in the study group; one of CalWEA’s member companies, Oak Creek Energy, participated fully in the planning subgroup.

1. General Comments

CalWEA supports all of the recommendations listed on page 9-10 of the Report. As the Report indicates, the RPS timeline requires the Commission to promptly order this study group to continue its efforts to develop a final plan, including the Tehachapi collector system, and to streamline its permitting process.

We wish to underscore the need for the Commission to act expeditiously in moving this process forward. We congratulate the Commission for having taken some essential procedural steps early on, such as making determinations on the need for and benefits of Tehachapi Phase 1, and requiring early filing of the Phase 1 CPCN. It became apparent in the discussions of the TCSG, however, that significant risks remain for the process to be delayed or upset. Therefore, it is essential that the Commission take all opportunities to expedite the process at all stages. In these comments, we offer some additional steps that should be taken by the Commission, including intervention at FERC and authorizing the hiring of consultants to assist the TCSG process.

2. Comments on Immediate Cost Recovery Issues

With regard to the recommendations on cost recovery issues, we note that SCE's recent filing at FERC seeking cost recovery for Phase 1 of the Tehachapi Transmission Plan (TTP)¹ will make it difficult, if not procedurally impossible, for the Commission to make the network benefit findings with regard to the specific upgrades proposed by SCE, as required by P.U. Code Section 399.25 (b)(1) and as recommended in the Report. Nevertheless, it is essential that the Commission assert before FERC the network benefits associated with these upgrades, as required by P.U. Code Sec. 399.25(b)(3), based on its findings in D. 04-06-010.

Specifically, on page 17 of that D.04-06-010, the Commission stated that: "... the need for Tehachapi upgrades has been developed sufficiently to allow us initially to determine for purposes of § 399.25(b)(1) that the first phase of Tehachapi network upgrades would provide benefit to the transmission network." The evidentiary testimony of Oak Creek Energy Systems on the network characteristics of Phase 1, as then conceived, is summarized on page 12 of the decision. While the configuration of Phase 1 filed at FERC is different than that considered in D. 04-06-010, both possess the characteristic that produces network benefits. Namely, both configurations support the pre-existing 66-kV ISO-controlled network that extends from Antelope beyond Cal Cement to the north and to Bailey to the west. The network nature of those facilities is undisputed. Wind generators are entitled under FERC's Large Generator Interconnection Procedures to connect to the existing network, but that network is presently overloaded.² SCE's proposed configuration upgrades the existing network to 230 kV,

¹ Southern California Edison Company's Petition for Declaratory Order before the FERC (Docket No. EL05-80), March 23, 2005.

² See, in this proceeding, Southern California Edison Company's Opening Testimony on Tehachapi Transmission Project (Phase 6), April 2003. At page 11, SCE witness Chacon states: "SCE's existing 66 kV network in the Tehachapi area and the Big Creek 230 kV network located approximately 15 miles to the West are fully loaded, so if new generation is constructed in the Tehachapi area and connected to SCE's system, SCE would need to construct new transmission facilities in order to provide additional capability in the area."

constituting a deliverability upgrade that by definition produces network benefits.³ It would be imprudent for SCE to construct a new 230 kV network and not use it to provide an upgrade for the deficient pre-existing 66 kV network.

Yet, in its FERC filing, SCE characterized the third segment of the proposed upgrade as not having network characteristics. It is therefore essential that the CPUC put forward the network characteristics, as there is no precedent at FERC for allowing the cost of “non-network” facilities to be rolled into general transmission rates. Since a factual showing of network benefits can be made, it is on this basis that roll-in treatment should be sought.

3. Comments on Longer-Term Cost Recovery Issues

We find the discussion of cost recovery issues throughout the Report (e.g., in the Executive Summary and Chapters 6 and 7) to be unclear and in some cases erroneous. The TCSG was not charged with opining on cost recovery issues, nor were these issues discussed outside of the planning group, which was otherwise concerned with highly technical issues. CalWEA successfully sought changes to the final draft report on these issues, but still find the Report’s discussion of these issues to be inadequate. Rather than responding to the Report’s treatment of this important subject area (apart from the comment above on the pending FERC petition), however, we will present our views on cost recovery issues in another phase of this proceeding where the Commission has specifically requested comment on the subject (i.e., comments due April 8 in response to the March 17, 2005, Ruling of ALJ TerKeurst).

³ *Id.*, at p. 19: "While the nature of these facilities would appear to be consistent with that of a generation tie line, constructing the first stage of the conceptual project will potentially afford SCE the opportunity to better manage the existing Tehachapi area 66-kV network by transferring power and/or load between the existing system and the new line, thereby making the best use of the new line for the existing system. The new line is part of the comprehensive plan to interconnect new Tehachapi area wind generation and will be used, to the extent possible, in such a fashion as to improve the total SCE system performance."

4. The CPUC Should Direct the Utilities to Hire Independent Consultants

The Report states (at pages 9 and 33-36), that economic modeling and various planning and facility cost studies are needed before the definitive plan can be established, but does not discuss how these studies will be timely accomplished. As these studies are very time-consuming and expensive and need to be completed before the end of this year, and as the utilities' resources are constrained, the CPUC should direct the utilities (in consultation with the TCSG) to immediately hire independent, competent consultants to perform the necessary technical and economic studies. The consultants should have a good working relationship with the ISO, and should report directly to the TCSG. Independent analytic work would be a very valuable addition to the TCSG, especially given the urgent progress that is required.

In addition to conducting the necessary studies identified in the Report, the consultants should also examine the viability of alternate cost-reducing ideas that have been put forward by members of the group that the utilities and the CAISO have been unable or unwilling to look into. For example, Oak Creek has proposed the concept of freeing up 900-1200 MW of capacity on the Big Creek Corridor and Helms transmission line into the Gregg substation by coordinating the associated resources and using a FACTS flow-control device(s) to manage the flow on the lines with high reliability. This combination has the potential to provide significant transmission capacity at much lower cost than an upgrade and to increase the value of the energy carried on the lines. If the consultants believe that this or other proposals by TCSG members are worthy of study, they could recommend that the TCSG (via the utilities) hire a consultant with the appropriate technical, operational and economic analysis capabilities.

5. The Commission Should Anticipate that the Tehachapi Upgrades May Not Be Completed in Time to Meet Retail Sellers' RPS Obligations

The Report states (at p. 8) that it is possible, with aggressive action by the Commission, to build all components of the TTP by the end of 2010. Even with aggressive action, however, completion of the project by 2010 is a best-case scenario that is far from assured. In view of that fact, the Commission should consider that the Tehachapi upgrades may not be completed in time to meet retail sellers' RPS obligations. This potential mismatch warrants the Commission's (and possibly the Legislature's) attention to possible adjustments to the RPS program, if the state expects or desires the abundant and low-cost Tehachapi resources to be relied upon for meeting the RPS goals, as envisioned in the CEC's November 2003 Renewable Resources Development Report.⁴

Some possible consequences of the mismatch in timing are as follows:

- Retailers could meet their RPS obligations without the projects associated with the later phases of the TTP, possibly increasing purchases from out-of-state, for example. When the TTP is completed, the RPS requirements will have been satisfied and there may be no RPS market for Tehachapi energy. In spite of Tehachapi energy being lower cost and more beneficial to the state than out-of-state renewable energy, a portion of it could become stranded.
- Without clarity that the TTP will lead to concurrent RPS-related project development, usage of the new transmission capacity may become uncertain, which could complicate cost-recovery for the upgrade (or at least create inefficient use of the new line). While it is likely that Tehachapi energy will be economic in the open market, immediate usage of the line would be more uncertain if Tehachapi energy is not linked to RPS goals.

The RPS statute and the Commission's implementing rules do provide some flexibility in meeting the annual RPS targets. In short, they allow a utility to carry over a deficit of 25% of its

⁴ See RRDR Report, Table 16, p. 98

Annual Procurement Target for up to three years without explanation.⁵ In addition, a utility may seek approval for delayed compliance beyond a 25% deficit and a waiver of the automatic non-compliance penalty by explaining how a deferral would promote ratepayer interests and the overall procurement objectives of the RPS program. However, these measures may not be sufficient.

If the Commission believes that Tehachapi will provide least-cost RPS resources and wishes to ensure that the TTP is fully utilized, in addition to accelerating development of the TTP as much as possible, it could: (a) anticipate that RPS compliance deferrals may be necessary to accommodate the Tehachapi resource, rather than waiting for potential utility (and ESP/CCA) deferral requests, and/or (b) consider ways of getting more energy out of Tehachapi pending completion of the upgrades (such as enabling energy-only, curtailable sales and dynamic line ratings). Alternatively, the legislature could consider increasing the RPS requirement above 20% after 2010.

6. The RPS Implementation Group Is a Dubious Concept

Section 7.6 of the Report discusses one participant's notion of creating an RPS Implementation Group, a new collaborative body intended to ensure timely achievement of the state's RPS goals. The group would coordinate all development activities necessary for the construction of generation projects, among other things. CalWEA is dubious about this concept, as it would create an additional layer of bureaucracy and could improperly delegate power outside of existing legal channels. There is a clear need for greater focused attention on these issues, but that job should be done by the CPUC and the CEC.

⁵ See p. 40-55 of D.03-06-071, issued June 19, 2003. The Commission is in the process of establishing compliance rules for Electric Service Providers and Community Choice Aggregators.

7. Clarification of Statement on Required General System Upgrades

On p. 10, the Report states, "in addition to the collector system and interconnection facilities, additional facilities will be needed to relieve congestion and enable power from Tehachapi to be delivered to load centers." We wish to clarify that these upgrades are not necessary solely for Tehachapi, but rather relieve general system constraints in the state, and increase the operating flexibility and efficient flow of resources into major load centers. There is an urgent need to upgrade California's transmission infrastructure, but the need will not be created solely, or even in significant part, by Tehachapi.

We look forward to continued involvement in this important process.

Respectfully submitted,

A handwritten signature in black ink that reads "Nancy Rader" followed by a circular stamp containing the letters "SMK".

Nancy Rader
Executive Director
California Wind Energy Association

April 6, 2005

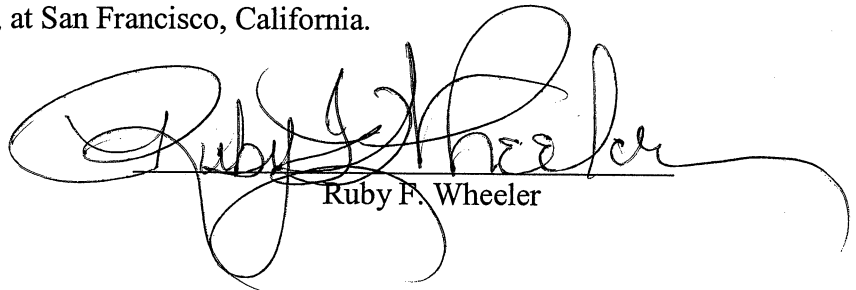
Certificate of Service

I hereby certify that I have this day served a copy of the

**COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION ON THE
REPORT OF THE TEHACHAPI COLLABORATIVE STUDY GROUP**

On all known parties to I.00-11-001 by mailing a properly addressed copy by first-class mail with postage prepaid to each party named in the official service list.

Executed on April 6, 2005, at San Francisco, California.



Ruby F. Wheeler