



California Wind Energy Association

May 29, 2007

Energy Division
California Public Utilities Commission
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Re: Draft Resolution E-4052

Dear Energy Division:

In this letter, California Wind Energy Association (CalWEA) provides comments on Draft Resolution E-4052 (“Draft Resolution”), which would conditionally approve Southern California Edison’s (SCE) Advice Letter 2062-E-A, filed April 2, 2007. AL 2062-E-A seeks Commission authorization to establish a Renewable Transmission Feasibility Study Costs Memorandum Account. This account would track the costs associated with certain studies that SCE wishes to perform to assess the feasibility of developing new transmission lines to access areas in southeastern California, western Nevada, and western Arizona in which there is significant potential to develop new renewable resources for electric generation.

As stated in our April 23 comments on SCE’s AL 2062-E-A, CalWEA appreciates SCE’s initiative in proactively undertaking these important studies; our comments were aimed at making them as useful and productive as possible. We appreciate that the Draft Resolution is responsive to our comments in the following ways:

- SCE is directed (at p. 12) to be “resource neutral” when evaluating renewable resource areas, and to study the potential of all renewable resources in that geographic area, including wind.¹
- SCE is directed (at p. 12) to study the entire San Bernardino County corridor from Lugo and/or Kramer, to Pisgah, and then to Eldorado/Mohave.
- SCE is directed to coordinate with the CAISO and with other transmission planning activities early in the process (guidelines, p.6).
- A process with defined timelines is established to ensure that conceptual plans are quickly converted into permit applications.

¹ In our April 23 comments, we noted that there are 2,400 MW of wind projects in the CAISO interconnection queue, just south of the Imperial Valley near La Rumorosa in Baja California, Mexico. Most of this capacity would interconnect to the CAISO grid through SDG&E’s Imperial Valley substation. As such, we urge the Commission to encourage SDG&E to undertake a study of this area.

We also very much appreciate the direction given to SCE to involve stakeholders early in the process, and the proposed process for identifying and ranking cost-effective renewable resource areas.

We believe, however, that several modifications to the Draft Resolution are warranted, as follows.

1. The directives related to an “open season” process should be removed; instead, commitments to provide upfront financing of upgrades should be sought

In Phase 3 (Development and Filing of Plan of Service), the Draft Resolution suggests that there should be an “open season process during which developers would signal their intent to use the proposed line by providing a deposit in proportion to the amount of capacity that they expected to deliver via the line.” The Draft Resolution directs SCE to work with the CAISO and other stakeholders toward the development and ultimate FERC approval of a revision of the CAISO tariff that would explicitly allow for the clustering of interconnection requests in a manner that is consistent with the open season concept endorsed in this Resolution.²

We have several comments. First, we strongly agree that a tariff amendment is needed to enable greater flexibility in the clustering of interconnection requests and, in particular, to allow projects already in the queue to benefit from clustered studies. However, this tariff amendment should not wait for Phase 3 of this process (some 16 months hence); indeed, the CAISO is already entertaining such a tariff amendment as part of its response to FERC Order 890. Thus, the Resolution should call for clustered studies of the CREZ area(s) presuming that such a process will already have been enabled or, if it has not yet been enabled, as an exception to the tariff (as was done in the case of Tehachapi).

Second, we do not understand the purpose of an “open season” process. The Draft Resolution does not explain how such a process would relate to the existing CAISO queue process, why it is needed or why it is preferable to the current process. We note that many thousands of megawatts are already in the queue in the areas to be studied, and may have already paid for the associated studies, which can amount to hundreds of thousands of dollars per project. In addition, some of these projects will have put down deposits as part of power purchase agreements.

Third, if the transmission upgrades, very likely to be network, are financed by SCE or another transmission provider, there would be no need for deposits to be made. Developer interest will already have been demonstrated through commitments made in the queue process (including the payment of significant study costs) and in site development efforts. Instead, the Resolution should direct SCE to commit to financing the upgrade at this same stage in the process (Phase 3). If it declines to commit at this stage, the Commission should offer the financing and ownership opportunity to other transmission providers and provide them with the same cost-recovery assurances under PU Code 399.25 that SCE would be entitled to. This upfront financing commitment would be a crucially important part of the Commission’s envisioned process, because it would provide developers with certainty regarding transmission-related costs and would avoid the “chicken/egg” conundrum that PU Code 399.25 was established to address.

² We note that the term “open season” is being used by the ISO in a different way.

In short, an “open season” process, if pursued, is a major policy change that may duplicate the existing CAISO queue. The consideration of any such change is deserving of full discussion and due process. It should not be required or envisioned as part of this resolution. Instead, the Commission should build into the process a time for seeking a commitment from a transmission provider to finance the upgrades with cost-recovery assurances.

2. SCE’s Phase 1 report should be subject to public comment

The Draft Resolution provides that Energy Division staff will have “up to two weeks” to review SCE’s Phase 1 report (which will recommend priority CREZs) and to make a decision regarding Phase 2 (identification of transmission routes). Given that stakeholders will not necessarily have been involved in the development of this report, other than initial meetings, and given the import of the recommendations, the Phase 1 report should be subject to public review and comment. At least two weeks should be provided for this opportunity, with the Energy Division making a decision in view of these comments thereafter. In case there is a need to revise the recommendations, the Energy Division should not be constrained to make a decision within two weeks.

3. The guidelines should not refer to valuing resource supply diversity

We strongly agree with the Energy Division and SCE that there is a need for more proactive planning and development of transmission to access renewable resources. We generally support the guidelines proposed for such planning, beginning on page 6. However, guideline #4 (“renewable-resource supply-diversity should be adequately valued and encouraged”) has no basis in statute, and is at odds with the Draft Resolution’s appropriate direction to rank renewable energy zones based on the “smallest overall cost per MWh and greatest least cost best fit (LCBF) value. If SCE considers factors besides overall cost in constructing its ranking, it must explain and justify those factors to the Commission.” (p. 11)

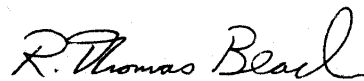
Renewables themselves are diversifying our electricity system; the RPS is about promoting those renewables which offer the best value for ratepayers, not with providing a set-aside for each type of renewable technology simply to promote diversity for its own sake. This guideline should be removed, or be replaced with a reference to LCBF analysis. If the Commission wishes to discuss the value of diversity within renewables, it should be done in a broader forum, not as a part of this resolution.

In conclusion, CalWEA strongly supports this Draft Resolution, provided that the above adjustments are made.

Sincerely,



Nancy Rader
Executive Director



Tom Beach
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Consultant to CalWEA