

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

Order Instituting Investigation on the Commission's Own Motion to actively promote the development of transmission infrastructure to provide access to renewable energy resources for California.

Investigation 08-03-010
Filed March 17, 2008

Order Instituting Rulemaking on the Commission's Own Motion to actively promote the development of transmission infrastructure to provide access to renewable energy resources for California.

Rulemaking 08-03-009
Filed March 17, 2008

**PRE-HEARING CONFERENCE STATEMENT
OF THE CALIFORNIA WIND ENERGY ASSOCIATION
ON USE OF THE RESULTS OF THE RENEWABLE ENERGY TRANSMISSION
INITIATIVE (RETI) IN COMMISSION PROCEEDINGS**

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I. INTRODUCTION

The California Wind Energy Association (“CalWEA”) is pleased to present the following prehearing conference statement, as provided in the “Administrative Law Judge’s Ruling Scheduling Prehearing Conference and Workshop” (“Ruling”), filed February 5, 2009, in the above-captioned proceeding. The Ruling seeks comment on how to use the results of the Renewable Energy Transmission Initiative (RETI) in Commission proceedings, including whether and how to establish cost-recovery mechanisms for the Investor-Owned Utilities (IOUs) to study transmission projects to serve renewable resource-rich areas in California and

whether and how to establish a rebuttable presumption of need for transmission projects identified as needed through the RETI process.

CalWEA's comments support the expedited review and approval by the Commission of transmission projects developed by the CAISO and proposed by the PTOs to serve one or more components of the RETI Transmission Plan which, by definition, should constitute "high priority transmission projects." This is distinct from any official designation or finding of "high priority Competitive Renewable Energy Zones" (CREZ). Designating priority CREZ would not only be unnecessary, it would both place in jeopardy the attainment of the Renewables Portfolio Standard and cause irreparable harm to ratepayers by undermining the competitive market and granting extraordinary market power to projects and land owners in the identified zones.

II. RESPONSES TO QUESTIONS

CalWEA offers the following responses to several of the questions posed in the Ruling, which we have regrouped to provide a few common responses.

To what extent can the Commission grant a rebuttable presumption of need to transmission projects serving high priority CREZs?

What is a high priority CREZ or transmission project for purposes of a potential rebuttable presumption ...? Who should determine whether a particular CREZ or "RETI-identified" transmission project is high priority, and using what criteria?

o Should the RETI Stakeholder Steering Committee make a recommendation?

o Does the Commission need to make a separate determination?

The Commission can and should speed the CPCN approval process by granting a finding of need for "High Priority Transmission Projects," which are transmission projects that

comprise the RETI Transmission Plan developed in the Phase 3 RETI process.¹ Indeed, unless the Commission takes such action, the RETI process will have served little tangible purpose in expediting achievement of the state's RPS goals.

The Commission should propose, on its own motion, a finding that specific transmission projects that are consistent with the RETI Transmission Plan are needed to facilitate the achievement of RPS goals upon the filing of CPCN applications for such projects. The investor-owned utilities will file CPCN applications in response to the final plans produced in the CAISO's Transmission Planning Process (TPP) and approved by the CAISO Board. In addition to the RETI Transmission Plan itself, the TPP will have accounted for system reliability needs and economic opportunities as well as the generator interconnection agreements resulting from the CAISO's Large Generator Interconnection Procedures (the LGIP is now coordinated with the TPP as a result of recent reforms). After providing an opportunity for public comment, and provided there are no compelling objections, the Commission should make a final and comprehensive need determination for any TPP proposed upgrade that is consistent with one or more components of the RETI Transmission Plan.

Making a need determination early in the CPCN approval process is necessary and appropriate for several reasons:

- The entire purpose of what will have been an intensive, two-year RETI process involving a wide variety of stakeholders and the expenditure of significant public and private resources is to facilitate achievement of RPS goals by identifying necessary transmission upgrades. Were the final RETI product not to result in an expedited finding of need, potentially reducing CPCN processing time by one year or more, it would render the long and expensive RETI process nearly meaningless.
- We expect the RETI Transmission Plan to produce, based on its own detailed criteria and extensive stakeholder participation, a comprehensive transmission plan to provide or

¹ As will be noted later, these projects are distinct from "transmission projects serving high priority CREZs."

improve transmission access for all promising CREZs and out-of-state development areas that have the greatest near- and medium-term potential for development. The plan will likely include reinforcements on the load side of the state's transmission system that will be needed under a variety of development scenarios.

- “High Priority Transmission Projects” that are components of the RETI Transmission Plan are distinct from “transmission projects serving high priority CREZs” in that they are intended to ensure that renewable generation from a large number of CREZs can meet or exceed a 33% California Renewables Portfolio Standard under a variety of development scenarios. This is critical in light of the fact that there are extensive uncertainties associated with ranking of the CREZs. As stated in the RETI Phase 1B Final Report, p.5-22,

There is significant overlap in the uncertainty bands, which indicates considerable uncertainty in identifying a discrete set of clear CREZ priorities. The uncertainty results indicate that many CREZs may be competitive with the most economic CREZs once uncertainty is considered.

While the CREZ priorities and associated transmission costs are currently undergoing refinement in the Phase 2 process, significant uncertainties associated with priorities are likely to remain. Moreover, it is important not to prejudge competitive markets and the outcome of land-use permitting processes. In other words, even if these CREZ rankings were more certain, their rank may not necessarily translate into actual development activities. If the Commission favors renewable energy development in certain CREZs based on the RETI process, it would both place in jeopardy the attainment of the Renewables Portfolio Standard and would cause irreparable harm to ratepayers by undermining the competitive market and granting extraordinary market power to developers in these areas. Consistent with current discussions, therefore, the objective of the Phase 3 Plan is to account for this uncertainty by developing a set of “least regrets” upgrades that have the highest potential for being utilized by any of a number of identified CREZs and out-of-state development areas.

- With the finding of need already accomplished for a High Priority Transmission Project as part of RETI transmission plan, the utility filing the associated CPCN, as well as the Commission, can focus on the environmental impacts of and specific alternative routes for these projects. The CPUC may wish to begin preliminary environmental impact studies in advance of CPCN filings for portions of the plan that may be particularly time-consuming or controversial. This should be done without prejudging the outcome of the CAISO planning process.

Final plans of service for transmission projects developed in RETI may evolve during the CAISO's transmission planning process, or joint ISO-POU planning processes. Will the Commission need to determine whether the final plan of service is substantially identical to the project prioritized through the RETI stakeholder process, and if so, how should that be accomplished?

The Commission should be open to the CAISO & POU's modifying the RETI Transmission Plan as there are always multiple transmission solutions that can serve a particular system goal. Any changes to the plan would be based on established CAISO planning criteria that are compliant with FERC Order 890's mandate to develop optimum transmission solutions in coordination with POU's, would provide for generator interconnection agreements, and would account for any system needs and opportunities that were either not sufficiently addressed as part of the RETI process or which presented themselves after the RETI process was completed.

The CPUC should therefore accept as "needed" the subject of any CPCN application that derives from a CAISO Transmission Plan that fulfills part of the RETI Transmission Plan, whether or not the proposed upgrade is identical to the particular solution envisioned in the RETI Transmission Plan. Further, should the CAISO plan respond to a cluster of interconnecting generators comprised of at least 50% RPS-eligible projects that was somehow not identified in the RETI process, it should also automatically be deemed needed in furtherance of RPS goals.

What is a high priority CREZ or transmission project for purposes of ... backstop cost recovery?

To what extent can or should the Commission grant blanket approval for recovery of costs for work performed for transmission projects serving high priority CREZs?

If the Commission grants such approval, which costs should be recovered?

If the selection is initiated by the IOUs, should each IOU identify which CREZ(s) or RETI-identified transmission projects it wishes to study by means of an advice letter filing or by application?

The Commission should develop a streamlined process for tracking and cost recovery assurance for *all* prudent costs related to the development of CAISO-approved projects that are either exact components of the RETI Transmission Plan or transmission projects that

significantly meet the objectives of that transmission plan as determined by the CAISO (or a committee formed by the CAISO and POUs for that purpose). The backstop cost recovery should be based on the High Priority Transmission Projects; as described above, the Commission need not and should not make a finding of a “high priority CREZ.”

The CPUC could also approve, on a case-by-case basis, cost recovery for preliminary environmental impact and routing studies in advance of CPCN filings for promising portions of the RETI Transmission Plan that may be particularly time-consuming or controversial. This should be done without prejudging the outcome of the CAISO planning process.

The cost tracking and recovery could occur either through an ERRA reasonableness proceeding (for pass-through costs) or under a 399.25 tracking account (for capitalized costs), depending on whether the facilities are related to a specific facility or not. While the Commission should preclude double recovery of costs that may later be recovered in Federal ratemaking venues, the utilities should not have to apply to FERC and have cost recovery denied before cost recovery assurance is provided.

Finally, as explained in our earlier comments in this docket, the Commission should create for PTOs a retail cost tracking mechanism in order to provide the PTOs a way to track and timely recover their transmission costs incurred under the FERC tariff. Other states have employed this cost-tracking device, thereby allowing the PTOs to recoup their costs at a much faster rate than in California, which has led to a significant increase in transmission investment to promote the interconnection of renewable resources. In so doing, the Commission will help eliminate one of the major disincentives to new transmission investment in California - the lengthy cost recovery delays that add to PTO financing carrying costs and harm PTOs' credit matrices.

Should the Commission specify in these or other proceedings which CREZs each IOU should study for interconnection or should the selection be initiated by each IOU, or worked out, in coordination with publicly-owned utilities (POUs), through the RETI process?

The RETI Transmission Plan will already have proactively studied the network upgrades necessary to interconnect renewable resource areas, and will have identified which upgrades are in different jurisdictions. Where upgrades involve joint ownership, issues of cost allocation and operation will have to be addressed through appropriate FERC and POU jurisdictional processes. The issues are not unique to RETI and, while cooperation and coordination should be encouraged, resolving these issues should not divert from RETI's immediate objectives.

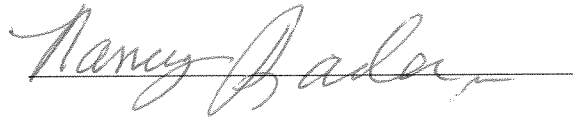
Interconnection studies related to specific generators will be performed pursuant to the CAISO's LGIP or equivalent POU process. The CAISO's LGIP process requires the CAISO to work with the POU's if the CAISO determines that a generator interconnection will affect POU portions of the grid, in which case the two utilities work together to jointly develop an interconnection plan.

III. CONCLUSION

CalWEA applauds the Commission's issuance of this OII/OIR to facilitate the development of a more efficient transmission development process. By treating the RETI Transmission Plan as "High Priority Transmission Projects" for expedited review and approval, the Commission would remove a significant impediment to the attainment of the State of California's Renewables Portfolio Standard. However, the Commission should not prejudice

competitive markets and jurisdictional land-use processes by favoring renewable energy development in certain CREZs based on the RETI process.

Respectfully submitted,

A handwritten signature in cursive script, reading "Nancy Rader", written over a horizontal line.

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February 23, 2009

Certificate of Service

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

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on all known parties to I.08-03-010; and R.08-03-009 by sending a copy via electronic mail and by mailing a properly addressed copy by first-class mail with postage prepaid to each party named in the official service list without an electronic mail address.

Executed on February 23, 2009, at San Francisco, California.



Marcus Hidalgo