

JOINT COMMITTEE HEARING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
) Docket No.
Preparation of the 2007 Integrated) 06-IEP-1F
Energy Policy Report (2007 IEPR))
)
2007 Strategic Transmission)
Investment Plan)
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

THURSDAY, SEPTEMBER 13, 2007

9:32 A.M.

Reported by:
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COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson,
Presiding Member, IEPR Committee

Jeffrey D. Byron, Presiding Member, Electricity
Committee

John L. Geesman, Associate Member, IEPR Committee;
Associate Member, Electricity Committee

ADVISORS PRESENT

Tim Tutt

Gabriel D. Taylor

Suzanne Korosec

STAFF PRESENT

Lorraine White, Program Manager

Judy Grau

ALSO PRESENT

David Reynolds
National Park Service

Lynn M. Ferry
Southern California Edison Company

Stella Altamirano-Mendoza
Imperial Irrigation District

Frank Cady
Lassen Municipal Utility District

Les Guliassi
Pacific Gas and Electric Company

David Kates
Nevada Hydro Company

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1 P R O C E E D I N G S

2 9:32 a.m.

3 PRESIDING MEMBER PFANNENSTIEL: Good
4 morning. This is the Energy Commission Joint
5 Committee workshop of the Integrated Energy Policy
6 Report Committee and the Electricity Committee.
7 I'm Jackie Pfannenstiel; I'm the Presiding Member
8 of the IEPR Committee. To my left is Commissioner
9 Jeff Byron, who is the Presiding Commissioner on
10 the Electricity Committee. To my right is
11 Commissioner Geesman, who is the Associate Member
12 of both of the Committees.

13 We have called this workshop today to
14 get comments on the Committees' joint report on
15 the strategic transmission investment plan, a
16 meaty document that was available some time in
17 advance.

18 I know we've gotten some comments in
19 writing, but this is an opportunity to talk about,
20 in public, what's in the plan and to engage in
21 some further comments from the parties.

22 With that, Commissioner Byron, any
23 opening comments?

24 PRESIDING MEMBER BYRON: Thank you,
25 Madam Chair. I'd like to just compliment the

1 staff. I did have opportunity to finally read the
2 entire document, and it was a cliffhanger --

3 (Laughter.)

4 PRESIDING MEMBER BYRON: -- with the
5 twists and turns at the end. I think the report's
6 very good and I welcome and look forward to the
7 comments that we're going to receive today.

8 PRESIDING MEMBER PFANNENSTIEL:
9 Commissioner Geesman.

10 ASSOCIATE MEMBER GEESMAN: No.

11 PRESIDING MEMBER PFANNENSTIEL:
12 Lorraine, we turn it to you.

13 MS. WHITE: Thank you, Chairman. Just
14 to go over a few logistics for the purposes of the
15 hearing today.

16 For those of you interested in
17 refreshments as we go through the morning, you can
18 find them at the top of the stairs underneath the
19 awning. We also have restrooms to the left of the
20 double doors here.

21 The materials for the workshop,
22 including the report, itself, are out on the table
23 there in the front atrium.

24 And then we also have, in the event of
25 an emergency, a procedure we'd like you to follow.

1 In the event of emergency please follow staff and
2 others out either of the doors and convene kitty-
3 corner from the agency here in the park until such
4 time as we're allowed back in the building.

5 For those of you listening in on the
6 webcast we have the ability to view the slides
7 through that webcast service, as well as the
8 ability to call in and participate. Audio from
9 the hearing is supplied through the webcast.

10 And we have a correction to make on the
11 call-in number for those of you that would like to
12 ask questions at the appropriate time. The
13 correction is to call in at 1-800, not 1-888, but
14 1-800-857-6618.

15 For those of you here in person and
16 would like to actually ask questions or make
17 comments, we request that you fill out one of the
18 blue cards in the front of the hearing room here
19 and provide them to either me or any of the staff
20 so that we can provide them to the Commissioners
21 and call you up in order.

22 Today's hearing will be covering
23 primarily three topics. The overview of the
24 strategic transmission investment plan, itself;
25 comment the parties have on that plan; and then

1 also the next steps in completing this work and
2 adopting it ultimately by the full Commission.

3 This is one of the main subordinate
4 reports in the Integrated Energy Policy Report
5 proceeding. It is the result of several
6 workshops, lots of analyses, quite a bit of input
7 from various parties including utilities, other
8 agencies, the Cal-ISO, participants in the
9 workshops and so on.

10 The staff has taken the analysis and
11 developed recommendations for both investments in
12 future transmission and designation of corridors.

13 This hearing is to get your input on the
14 plan, as a whole, and to refine the plan for
15 purposes of adoption by the Commission.

16 The overall IEPR proceeding, in which
17 this is a part, essentially began last summer and
18 will conclude by the end of November.

19 Essentially we've asked for written
20 comments by September 27th. We will publish on
21 October 24th the revised or final 2007 strategic
22 transmission investment plan for the purposes of
23 adopting it on the November 7th normally scheduled
24 business meeting.

25 All of this information is contained in

1 the notice. It's also available and will be
2 repeated later in Judy's presentation, but is
3 available on the web.

4 You can find information about all of
5 the IEPR proceeding on the Commission's website at
6 the 2007 energy policy webpage listed there. You
7 can call me for general information. And
8 specifically to the investment plan, speak with
9 Judy Grau. The contact information, as I said, is
10 contained in the notice; and it is also repeated
11 on the website.

12 With that, Chairman, if there are no
13 further questions about the logistics I'd like to
14 go right into the staff presentations.

15 PRESIDING MEMBER PFANNENSTIEL: Yes,
16 thank you, Lorraine. Judy.

17 MS. WHITE: Great.

18 MS. GRAU: Thank you; good morning,
19 everyone. First I would like to thank Chairman
20 Pfannenstiel and Commissioners Geesman and Byron
21 for their guidance and direction in preparing the
22 strategic plan.

23 This document represents a joint effort
24 between the IEPR and the Electricity Committees,
25 hereafter referred to as just the Committees.

1 I would also like to thank all the staff
2 who contributed to this effort. Jim Bartridge for
3 his lead role on instate corridor planning; Mark
4 Hesters for his lead role on instate transmission
5 projects; Don Kondoleon for his lead role on
6 western regional transmission issues; and Chuck
7 Najarian for his lead role on removing
8 transmission -- renewable transmission barriers.

9 In addition, Grace Anderson was a
10 valuable contributor on FERC order 890 issues, as
11 well as WECC's transmission expansion plan and
12 policy committee; Clare Laufenberg-Galardo was a
13 contributing author on removing renewable
14 transmission barriers; and Jim McCluskey had a
15 lead role on western regional transmission issues
16 before his retirement in July.

17 By way of background this is the second
18 strategic transmission plan. The first was
19 published in 2005, as directed by Public Resources
20 Code section 25324. And so chapter 1 begins with
21 a status of key recommendations that the
22 Commission made in its 2005 plan, as well as the
23 status of the five specific transmission projects
24 that it recommended.

25 It then describes the major policy

1 trends and drivers that are affecting the current
2 transmission planning and permitting landscape.
3 And makes specific recommendations in those areas.

4 Chapter 2 focuses on the relationship
5 between transmission infrastructure and state
6 policy goals for greenhouse gas reduction and
7 renewable generation development. It offers
8 specific recommendations to facilitate
9 construction of new transmission infrastructure
10 that links renewable generation to the grid.

11 Chapter 3 describes corridor-related
12 developments and progress since the adoption of
13 2005 strategic plan. This includes the passage of
14 Senate Bill 1059, which grants the Energy
15 Commission the authority to designate
16 transmission corridors on nonfederal lands in
17 California.

18 Chapter 4 describes the criteria for
19 including transmission projects in this strategic
20 plan; the universe of projects which were analyzed
21 against those criteria; the categorization of
22 those projects. And then specific actions for
23 recommended projects.

24 Chapter 5 describes major trends and
25 issues associated with regional transmission

1 projects; the status of proposed regional projects
2 that could provide benefits to California; and
3 proposed recommendations to address barriers to
4 their development.

5 And then finally I'm going to discuss
6 the next steps for the strategic plan.

7 And so beginning with chapter 1, the
8 joint Committees have made the following
9 recommendations: The Committees recommend that
10 staff continue its participation in the Energy
11 Policy Act of 2005, section 1221 effort, which
12 directs the U.S. Department of Energy to conduct a
13 nationwide study of transmission congestion. And
14 based on that study, designate geographic areas
15 experiencing congestion or constraints as national
16 interest electric transmission corridors.

17 Thus far the Energy Commission has
18 provided three rounds of comments to the DOE.
19 First, provided comments in March 2006 on the
20 notice of inquiry. Then in October 2006 in
21 response to the DOE's congestion study. And
22 finally in October -- yes, excuse me -- July 2007
23 on the proposed southwest area national corridor.

24 Another recommendation is that the
25 California Independent System Operator should

1 implement its California-wide integrated
2 transmission planning process in a timely manner
3 so that the Energy Commission can use the results
4 as the starting point for the next strategic plan.

5 In parallel with that effort the
6 Committees recommend that staff participate in the
7 California-ISO subregional planning process in
8 order to obtain current transmission planning
9 information from investor-owned utilities and
10 publicly owned utilities that would inform the
11 strategic plan process, and also the SB-1059
12 implementation strategy.

13 Finally, the Committees recommend that
14 staff monitor the implementation of the Federal
15 Energy Regulatory Commission, FERC's, order 890,
16 which supplements and reforms the open access
17 rules under orders 888 and 889; as well as
18 continue its participation in the Western
19 Electricity Coordinating Council's transmission
20 expansion planning policy committee. As these
21 actions will help insure that state energy
22 policies are addressed in the various regional
23 transmission planning processes.

24 Moving on to recommendations from
25 chapter 2. The Committees recommend establishing

1 a more cohesive statewide approach for renewable
2 development that identifies preferred renewable
3 generation and transmission projects in a roadmap
4 for renewables.

5 This presents an opportunity for the
6 Energy Commission to leverage its power plant
7 licensing and transmission corridor designation
8 authorities, its environmental expertise and its
9 transmission planning and policy experience to
10 help guide renewable resource development in
11 California.

12 On a related note the Committees
13 recommend active staff participation in the
14 California Renewable Energy Transmission
15 Initiative which will hold its kick-off meeting
16 next Thursday.

17 The Energy Commission has recently
18 created a website for interested parties to learn
19 more about this collaborative effort which seeks
20 to identify and prioritize geographic zones of
21 cost effective renewable resources, develop
22 conceptual transmission plans for priority zones,
23 and develop detailed plans of service; and begin
24 the permitting and approval of priority projects.

25 Depending on when the results from this

1 initiative are available, the Committees recommend
2 that the results be vetted in the next strategic
3 plan.

4 Throughout the transmission-related IEPR
5 proceedings we have heard that early, proactive
6 stakeholder involvement is critical. To that end
7 the Energy Commission, California Public Utilities
8 Commission, and the California-ISO should actively
9 seek stakeholder participation as the planning and
10 permitting processes evolve.

11 These recommendations for the
12 California-ISO fit within the heading of
13 facilitating timely transmission interconnection
14 in chapter 2 of the plan.

15 Drawing upon the IEPR workshop held on
16 May 21st on feed-in tariffs, the Committees
17 recommend that the California-ISO explore the
18 benefits of renewable feed-in tariffs as it
19 develops its remote resource interconnection
20 policy.

21 In addition to this tariff effort the
22 Committees recommend the following: The ISO
23 should update the generator interconnection queue
24 so that projects with the greatest potential can
25 be fast-tracked over projects that have not made

1 progress.

2 The ISO should continue to approve new
3 renewable generator interconnections ahead of
4 network upgrades, as this allows renewable
5 generation to come online and begin using
6 available transmission capacity.

7 The ISO should continue to investigate a
8 clustered interconnection study approach for the
9 Tehachapi project, and consider ways to embrace
10 this mechanism in tariff language.

11 Also under the heading of facilitating
12 timely transmission interconnection, the
13 Committees recommend that the ISO should, to the
14 extent feasible, coordinate and synchronize
15 interconnection studies within its transmission
16 planning process.

17 The CPUC should continue to synchronize
18 its generation, procurement and transmission
19 certificate of public convenience and necessity
20 processes to insure timely development of
21 renewable resources and of supporting transmission
22 infrastructure, as this helps preclude stranded
23 transmission capacity and stranded renewable
24 generation.

25 Turning back to recommendations for the

1 Energy Commission, the Committees recommend
2 continued Public Interest Energy Research funding
3 of work by the Consortium for Electric Reliability
4 Technology Solutions, or CERTS, on removal of
5 transmission system integration barriers.

6 This includes examining uncertainties
7 and intermittent resource load and forecasting;
8 assessing energy storage as a strategic complement
9 to intermittent resources; and reviewing minimum
10 load requirements.

11 In addition, the Committees recommend
12 that the development of the PACT model, which
13 stands for Planning Alternative Corridors for
14 Transmission Lines, be accelerated, if possible.
15 And that funding opportunities be explored that
16 would support expansion of the PACT model.

17 The PACT model is a web-based
18 decisionmaking tool for assessing alternative
19 transmission routes based on environmental and
20 engineering values.

21 Moving on to chapter 3, this chapter
22 describes the Energy Commission's activities
23 relating to the implementation of Senate Bill
24 1059, which, as noted earlier, grants the Energy
25 Commission the authority to designate transmission

1 corridors on nonfederal lands in California.

2 SB-1059 requires any corridor proposed
3 for designation to be consistent with the state's
4 needs and objectives, as identified in the most
5 recently adopted strategic plan. The chapter also
6 describes the Energy Commission's role as a
7 cooperating agency in the Energy Policy Act of
8 2005, section 368 work on the development of a
9 programmatic environmental impact statement for
10 the designation of energy corridors on federal
11 lands in 11 western states.

12 The first recommendation is that the
13 Committees support legislation that would allow
14 investor-owned utilities to keep transmission
15 corridor investments in their ratebase for as long
16 as the Energy Commission designates the corridor.
17 The current limit of five years is incompatible
18 with a longer term approach to designating
19 appropriate transmission corridors well in advance
20 of their need.

21 When evaluating future transmission
22 projects within the designated corridor, the CPUC
23 and other permitting agencies, should accept the
24 need and environmental findings resulting from the
25 Energy Commission's transmission corridor

1 designations. This would limit the scope of the
2 permitting agencies' review to significant
3 impacts, mitigation measures and reasonable
4 alternatives within the designated corridor that
5 are not addressed in the Energy Commission's
6 environmental impact report prepared for the
7 designation proceeding.

8 The Committees encourage the following
9 types of applications for transmission corridors
10 on nonfederal lands: First, corridors that would
11 provide access to renewable resource areas. Given
12 the importance of these types of corridors, the
13 Energy Commission should designated such corridors
14 on its own motion, as allowed for in SB-1059.

15 Second, the Committees encourage
16 corridor applications on nonfederal lands that
17 would interconnect with existing or proposed
18 federal section 368 corridors on federal lands.

19 Third, the Committees encourage corridor
20 applications that request designation for
21 corridors with existing facilities on nonfederal
22 lands that may be required for future facility
23 upgrades, thereby avoiding the environmental
24 impacts associated with greenfield development.

25 The Committees also recommend that the

1 ISO appropriately consider designated corridors in
2 its transmission planning process.

3 During the IEPR proceedings some
4 stakeholders expressed concern that competing
5 interests may seek use of a designated corridor
6 once a utility has paid the cost of the
7 designation process.

8 To mitigate this concern the Committees
9 recommend that the Energy Commission seek
10 agreement among parties with similar transmission
11 needs during the development of the strategic plan
12 and prior to accepting an application for corridor
13 designation.

14 The final recommendation in chapter 3 is
15 that the Energy Commission should explore options
16 for and identify the potential benefits of earlier
17 consideration of nonwires alternatives in the
18 statewide planning process. Currently the CPUC
19 performs a nonwires alternatives analysis as part
20 of the CPCN proceeding.

21 Turning now to the examination of
22 specific transmission projects which can benefit
23 the state, the Committees had three main criteria
24 for including projects in its recommended list.

25 The first is that the project could be

1 online by the year 2017, or ten years from now.
2 Readers of the 2005 strategic plan may recall that
3 the first plan used a five-year horizon, or to be
4 online by 2010. The longer look is consistent not
5 only with the ISO's ten-year approach in its
6 latest grid plan, but also with the Energy
7 Commission's new corridor designation
8 responsibilities.

9 The second criterion is that the project
10 must require permitting. This requirement
11 eliminates the majority of projects identified in
12 the utility forms and instructions data responses
13 which tend to be reconductorings or substation
14 additions that are exempt from permitting.

15 The third criterion is that the project
16 must provide statewide benefits including
17 strategic benefits such as insurance against low
18 probability but high impact events, mitigation of
19 market power, environmental benefits or reduced
20 infrastructure needs.

21 The data sources used to screen the
22 projects through the criteria include the
23 California-ISO and utility grid plans,
24 presentations and comments received in IEPR
25 workshops, and the forms and instructions which

1 were adopted by the Commission on January 31st.

2 Applying the screening criteria on the
3 last slide to the universe of projects obtained
4 through these data sources the projects that
5 remained fell into one of four categories:

6 Projects already recommended in the 2005
7 strategic plan, all five of which continue to be
8 recommended in the 2007 strategic plan; additional
9 recommended projects for 2007 that are of
10 statewide significance; 2007 supported projects of
11 local significance; and projects deferred to the
12 2009 strategic plan.

13 And so this slide has all of the
14 projects we are recommending for 2007, which
15 includes both the 2005 and the new ones for 2007.
16 And so beginning with an overview of the five
17 projects recommended in 2005, the first is
18 Southern California Edison's Tehachapi Phase I,
19 which includes Antelope/Pardee, Antelope/Vincent
20 and Antelope/Tehachapi, all of which have since
21 received CPCN approval from the PUC.

22 SCE's Palo Verde/Devers No. 2, which
23 received CPCN approval from the CPUC, but was
24 denied by the Arizona Corporation Commission.

25 The TransBay direct current cable

1 project, which last month received its final
2 discretionary permit from the San Francisco Bay
3 Conservation and Development Commission.

4 The San Diego Gas and Electric Sunrise
5 Power Link which is currently in permitting at the
6 CPUC. And the Imperial Valley upgrades which are
7 currently on hold as the Imperial Irrigation
8 District Board of Governors reevaluates agreements
9 between IID and other project proponents.

10 The additional projects for 2007 include
11 PG&E's Central California Clean Energy
12 Transmission project, CCCETP, which would reduce
13 costs, increase access to renewable resources,
14 increase reliability in the Fresno area, and allow
15 more efficient use of PG&E's Helms pumped storage
16 hydro facility.

17 The Elsinore advanced pump storage
18 project, or LEAPS, proposed jointly by the
19 Elsinore Valley Municipal Water District and the
20 Nevada Hydro Company, would deliver pumped storage
21 hydro to the grid, reduce congestion and improve
22 reliability in the San Diego area.

23 The transmission component of the
24 project would complement the Sunrise Power Link
25 project by forming a northern interconnection

1 between the SDG&E and SCE service territories.
2 The Committees support the transmission portion of
3 the project moving forward independently of the
4 pump storage component.

5 The green path coordinated projects
6 include Green Path Southwest and Green Path North,
7 with participation by the Los Angeles Department
8 of Water and Power and the Imperial Irrigation
9 District. These projects would allow new
10 geothermal generation to be delivered to LADWP and
11 SDG&E.

12 The Committees recommend both the LADWP
13 Tehachapi transmission project and the SCE
14 Tehachapi renewable transmission project, but are
15 concerned that the two plans be coordinated in
16 order to avoid duplicate facilities that may
17 access the same wind resources.

18 Now for specific actions for the
19 recommended projects of statewide significance.
20 For the Central California Clean Energy
21 Transmission project, the Committees recommend
22 that PG&E and the Cal-ISO convene a study group to
23 develop the need analysis. In addition, if
24 needed, PG&E should bring a corridor request
25 before the Energy Commission.

1 As noted earlier, the Committees
2 recommend that the permitting process for LEAPS be
3 divided into its transmission and generation
4 components with the permitting for the
5 transmission component proceeding on its own
6 track.

7 The Imperial Irrigation District is a
8 key player in the development of the Green Path
9 coordinated projects, as well as the Sunrise Power
10 Link project. And the Committees recommend that
11 IID work collaboratively with other project
12 proponents to develop mutually beneficial projects
13 in the Imperial Valley.

14 As noted earlier, the Committees
15 recommend that LADWP coordinate its transmission
16 plans with those of SCE for the Tehachapi region.

17 And finally, the Committees view the
18 Sunrise Power Link, LEAPS transmission component
19 and coordinated Green Path projects as critical to
20 meeting renewable resource and greenhouse gas
21 reduction standards, though the Energy Commission
22 does not endorse a specific route for these or any
23 of the other projects discussed in this strategic
24 plan.

25 This next category of projects do not

1 meet the criterion of providing statewide
2 benefits, but they are still deemed worthy of
3 mention in this plan, and the Committees encourage
4 their proponents to pursue these projects.

5 These include the Sacramento Municipal
6 Utility District's O'Banion project which consists
7 of a new 26-mile, double-circuit line from the
8 O'Banion Substation with one circuit terminating
9 at the Elverta Substation and the other at the
10 Natomas Substation. This project relieves
11 overloads and increases the availability of the
12 500 megawatt Sutter Energy Center.

13 The next four SCE projects are
14 essentially single-purpose projects that have been
15 identified in the SCE and Cal-ISO expansion plans
16 and are needed so that SCE can continue to serve
17 its customers reliably.

18 And the SDG&E Orange County 230 kV
19 project is also a single purpose project that adds
20 a second 230 kV line into southern Orange County.

21 These projects are deferred to the 2009
22 strategic plan because the transmission submittals
23 we received lacked sufficient definition of
24 project benefits. However, the Committees
25 encourage the project proponents to refine them,

1 and will follow their progress in study groups or
2 other venues as they progress toward permitting.

3 The SDG&E renewable substation would
4 connect renewable generation to the Southwest
5 Power Link. A new PG&E Bay Area 500 kV substation
6 would reduce congestion, reduce the need for local
7 generation in the Bay Area and improve
8 reliability.

9 The Transmission Agency of Northern
10 California is considering five separate
11 transmission enhancements in northern California
12 known as Alpha, Beta, Delta, Epsilon and Zeta.
13 And for those of you who know your Greek, you'll
14 notice that Gamma is missing and we're not sure
15 what happened to it.

16 (Laughter.)

17 MS. GRAU: The Modesto Irrigation
18 District project would add a new tie between the
19 MID system and the external grid. And the Turlock
20 Irrigation District project would increase TID's
21 load serving capacity and reduce the need for
22 remedial action schemes.

23 Chapter 5 deals with western regional
24 transmission issues and includes detailed
25 discussions of six regional projects that could

1 provide benefits to California. These include the
2 Frontier Line project, the TransWest Express
3 project, the Northern Lights project, the PG&E
4 Pacific Northwest/Canada to northern California
5 transmission project, TANC's California/Oregon
6 Intertie upgrade project and the InterMountain DC
7 upgrade.

8 Because public opposition is a widely
9 recognized impediment to any transmission
10 expansion, the Committees recommend that the
11 Energy Commission include public education on the
12 benefits of regional transmission expansion in its
13 broader public outreach program.

14 The Committees recommend continued PIER
15 research to address unresolved cost allocation and
16 cost recovery issues for regional transmission
17 projects.

18 The regional projects noted above and
19 discussed in chapter 5 appear to overlap with each
20 other to some extent. And therefore, the
21 Committees recommend monitoring the status of
22 these and any other regional projects that can
23 help achieve state policy goals as they move
24 beyond the conceptual stage.

25 And so I think Lorraine had these dates

1 in her slide, but I'd just like to reiterate that
2 the next step is written comments are due
3 September 27th. To date we've received and had
4 docketed one set of comments from Southern
5 California Edison.

6 On October 24th we will be publishing
7 the joint Committees final version of the
8 strategic plan. And then, as Lorraine noted,
9 November 7th at a regular business meeting the
10 document is scheduled for adoption.

11 And I was planning to leave this slide
12 up so that folks would have the call-in number,
13 but I'm going to have to take this down and go
14 back to Lorraine's slide, because the toll free
15 number begins 800 and not 888. And so I will
16 change out that slide.

17 And at this time I would like to turn it
18 back to the Committees to begin the public
19 comments portion of the hearing. And as Lorraine
20 also noted, I think I already put one blue card up
21 on the dais, and if anybody else would like to
22 speak, you can bring the card to me and we'll take
23 them up to the dais.

24 And so I'd like to turn it back to the
25 Committees.

1 PRESIDING MEMBER PFANNENSTIEL: Thank
2 you. I actually have three cards here, and let's
3 start with David Reynolds, National Park Service.

4 MR. REYNOLDS: Speak from here?

5 PRESIDING MEMBER PFANNENSTIEL: Yes,
6 just go to that microphone --

7 MR. REYNOLDS: Okay.

8 PRESIDING MEMBER PFANNENSTIEL: -- and
9 make sure that the mike is on; push the button
10 that says push, and the green light should go on.

11 MR. REYNOLDS: Okay. Thank you.
12 Chairman, Commissioners, thank you for this
13 opportunity to speak. My name is David Reynolds;
14 I'm Supervisor Realty Specialist with the National
15 Park Service, Pacific West Regional Office in
16 Oakland.

17 And upon review of the report and
18 participation in other workshops, the National
19 Park Service is responsible for the preservation
20 and the restoration of a little over 8 million
21 acres of federal parkland in the state.

22 Park values are among the highest form
23 of protection for land, and comes with a guarantee
24 that these parks will be left unimpaired for
25 future generations.

1 The proposals to develop lands either
2 adjacent to or, in some cases, within national
3 parks has caused park professionals to participate
4 carefully in the strategic planning process.

5 While the National Park Service wants to
6 be a good neighbor and work collaboratively with
7 this energy plan, it would be a derogation of park
8 values and irresponsible on our part, as park
9 managers, to allow transmission lines or right-of-
10 way corridors through national park areas.

11 We are clearly pleased with any process
12 that identifies lands unsuitable for transmission
13 projects, such as parks and wilderness areas. The
14 Mojave National Preserve and Joshua Tree National
15 Park are two such areas that are unsuitable for
16 transmission corridors, but seem to remain on the
17 list of possible areas for power lines, despite
18 our efforts to have these parks excluded.

19 Both parks have the highest level of
20 land protection involved. The majority of land in
21 both parks are protected as wilderness.

22 Transmission lines cannot be placed within these
23 parks.

24 Thank you very much.

25 PRESIDING MEMBER PFANNENSTIEL: Thank

1 you, sir, for your comments. Questions?

2 Commissioner Geesman.

3 ASSOCIATE MEMBER GEESMAN: I wonder if
4 you're familiar with the comments that the Energy
5 Commission submitted to the federal government. I
6 believe Judy said three separate sets of comments.

7 It's my recollection, and I believe that
8 those comments were signed by Commissioner
9 Pfannenstiel, as the Commission's Chair, and her
10 predecessor, Commissioner Desmond.

11 It's my recollection that those comments
12 each included a listing of suggested areas where
13 transmission lines should not be planned. And I
14 wonder if you've had a chance to review those
15 lists and whether you feel that we've missed some.

16 MR. REYNOLDS: I'm aware of that list
17 and appreciate the submission for consideration.
18 And I've noted the list within appendix A of the
19 report.

20 Despite that, we do continue to see
21 where proposals exist that would include land
22 within or adjacent to park land.

23 ASSOCIATE MEMBER GEESMAN: In our plan
24 you see those?

25 MR. REYNOLDS: Not in your plan, but

1 within proposals.

2 ASSOCIATE MEMBER GEESMAN: Well, we
3 can't account for proposals.

4 MR. REYNOLDS: I understand.

5 ASSOCIATE MEMBER GEESMAN: And we can't
6 account for what, in many instances, appears to be
7 a trigger-happy federal government. But if there
8 are deficiencies in the listing that our previous
9 comments or this plan provide, if you could
10 identify those in your written comments that would
11 be well appreciated.

12 MR. REYNOLDS: Okay, we will.

13 PRESIDING MEMBER PFANNENSTIEL: Thank
14 you, sir.

15 MR. REYNOLDS: Okay. Thank you.

16 PRESIDING MEMBER PFANNENSTIEL: Lynn
17 Ferry from Edison.

18 MS. FERRY: Good morning, Commissioners
19 and Staff; I'm Lynn Ferry with Southern California
20 Edison Company.

21 As Judy stated, we filed comments late
22 yesterday so I won't restate what was included in
23 the entirety of our comments, but did want to make
24 a couple of points this morning.

25 One is related to the recommendations at

1 chapter 1 in the plan, having to do with the
2 change to the timeframe that utilities may bank
3 land and ratebase this.

4 Staff has proposed that utilities be
5 allowed to bank that land in their ratebase for as
6 long as the corridor is designated, or until the
7 Energy Commission repeals the designation. And
8 we're just a little worried about that qualifying
9 statement; and are hopeful that maybe we can --
10 going to work around to that.

11 I think staff has tried to assure us
12 that there wouldn't be any issues if we had bought
13 land in that corridor, that it would certainly
14 show an interest and a need in using that
15 corridor.

16 But I think the powers that may be with
17 legislation changes and what-have-you could
18 somehow avert those attempts for Edison to bank
19 land longer.

20 So maybe we could qualify that by adding
21 something to the end that says, at the -- it would
22 say, or until the Energy Commission repeals a
23 designation at the request of the entity that
24 originally proposed the corridor. Maybe that
25 would help us with our heartburn.

1 And then I've got a couple of comments
2 related to chapter 2 on --

3 ASSOCIATE MEMBER GEESMAN: If I can ask
4 you --

5 MS. FERRY: Sure.

6 ASSOCIATE MEMBER GEESMAN: -- the first
7 one, because this has been a policy at the Public
8 Utilities Commission, I believe, since 1987. And
9 I think it may have been in one of your general
10 rate cases where the policy was actually
11 developed.

12 And at the time the Public Utilities
13 Commission found a lot of no longer usable power
14 plant sites in utility ratebases. Clearly the
15 utilities had not requested that those sites be
16 declared no longer necessary. As a consequence
17 the Public Utilities Commission adopted a policy
18 which, in our belief, we've said for several years
19 is unworkable in the transmission area, the five-
20 year limitation. It simply is contrary to the
21 state's best interests.

22 But aren't you going to find yourself in
23 exactly the same dilemma with respect to Public
24 Utilities Commission if you say that it ought to
25 be left to your option as to when it comes out of

1 ratebase?

2 MS. FERRY: That's a good question.

3 ASSOCIATE MEMBER GEESMAN: You don't
4 need to answer it now. I simply -- I think this
5 is an area that's going to require quite a bit of
6 heavy lifting. I think it will require
7 legislation because the Public Utilities
8 Commission could have changed it on its own
9 initiative at any point in the last 20 years. And
10 has chosen not to.

11 So, I do think that it requires a
12 statutory clarification of just what the state's
13 interest is here. But I'm skeptical that leaving
14 it to your option as to when something comes out
15 of ratebase will be particularly persuasive.

16 MS. FERRY: Sure. Okay. Getting to my
17 comments on chapter 2 related to the feed-in
18 tariffs. While SCE would likely support such a
19 proposal, we wanted to clarify that renewable
20 feed-in tariffs, as the CEC is suggesting in the
21 plan, will not facilitate the earlier
22 interconnection of renewable projects if those
23 projects require transmission upgrades in order to
24 interconnect. Rather they are more of an
25 incentive for the renewable resources to be

1 developed and what-have-you. So, they may not be
2 a workable solution to the transmission problems
3 we're facing.

4 And further, on pages 56 and 57 the
5 staff has proposed that the queue for electric
6 grid interconnection is reviewed and updated so
7 projects can be prioritized with the greatest
8 potential. And those would be fast-tracked. Or
9 projects that have languished in the queue could
10 be eliminated.

11 Further, they go on to propose that
12 while the ISO is performing their studies, that
13 they would assume that interconnecting generators
14 don't necessarily run at full capacity and what-
15 have-you.

16 Unfortunately, utilities and the ISO are
17 held to a very strict standard by the Federal
18 Energy Regulatory Commission as to how they
19 actually perform studies for generators within the
20 queue. And as long as a generator has fulfilled
21 its requirements to stay in the queue, they must
22 be considered a viable generator. So we cannot
23 overlook them; we cannot move certain generators
24 to the top of the queue or amongst themselves in
25 the queue.

1 And while Edison will certainly
2 acknowledge the queue as broken and it needs to be
3 fixed, we're facing an uphill battle with the
4 FERC. They're not very open to changes at this
5 point in time. So just wanted to point out that
6 from a procedural perspective at FERC we cannot
7 implement these proposals.

8 ASSOCIATE MEMBER GEESMAN: Would you
9 lend your voice then to expressions of concern
10 that the queue is dominated by a bunch of zombie
11 projects that thwart the efforts to provide
12 adequate infrastructure to your customers?

13 MS. FERRY: Absolutely. And as those
14 zombie projects do fall out, we have to restudy
15 the projects that are in the queue. So it's
16 extremely time consuming and labor intensive. Our
17 queue is backed up with thousands, over 40,000
18 megawatts of generation right now.

19 So, yes, it's not a good situation.

20 Okay, that's all I have. Thank you.

21 PRESIDING MEMBER PFANNENSTIEL: Thank
22 you. Stella Mendoza, Imperial Irrigation
23 District.

24 MS. MENDOZA: Good morning, Chairman
25 Pfannenstiel, Commissioners Geesman and Byron, CEC

1 Staff and members of the public. My name is
2 Stella Mendoza and I am the President of the Board
3 of Directors for the Imperial Irrigation District.

4 I appreciate the opportunity to comment
5 today on the joint Committees' draft strategic
6 transmission investment plan report.

7 I'm here today to state that while the
8 IID agrees with much of what is contained in your
9 draft report, we are concerned with several of the
10 statements and recommendations that call into
11 question the IID's commitment to making the
12 abundant renewable resources in our County
13 available to the rest of the state.

14 Particularly disturbing is a statement
15 that we could prevent the development of
16 renewables if we so chose.

17 We are committed to make renewable
18 resources available on a regional and statewide
19 basis. However, we must insure that it is
20 accomplished in a cost effective manner for both
21 our ratepayers and the citizens of the State of
22 California.

23 Unfortunately, as sometimes happens in
24 the press and elsewhere, the steps we take are
25 misconstrued or assigned an ulterior motive that

1 doesn't exist.

2 I want to assure you that the IID takes
3 its responsibility as a careful steward of a
4 resource-rich area seriously. We have stated our
5 commitment in the past, and continue to be
6 committed to harnessing and providing access to
7 renewable resources in the Imperial Valley.

8 First, let me try and dispel a few -- to
9 dispel a few of the misconceptions that may be out
10 there. The board requested a green path review to
11 the benefit of three newly elected board members
12 in order to bring them up to speed. And to
13 determine if the draft agreements coincide with
14 the original intent that the board had stated at
15 that time.

16 Throughout the review IID continued to
17 make process on the other two elements of the
18 coordinated green path projects. The Green Path
19 North and the IID's transmission expansion plan.
20 In November 2005 the IID Board authorized \$3.3
21 million for its transmission expansion plan
22 development activities. These upgrades were
23 identified as part of the Imperial Valley study
24 group report.

25 The IID has subsequently approved the

1 following: Two major transmission projects that
2 will increase the import and export capability to
3 the Cal-ISO by up to 600 megawatts in the Imperial
4 Valley, in the Imperial Valley Substation.

5 The total cost of these projects are
6 \$19.5 million. The Green Path North development
7 agreement, a 500 kV line from Devers to Hesperia
8 Substations. And also the acquisition of rights-
9 of-way for the Coachella Valley/Devers 2
10 transmission line project, which will interconnect
11 IID system to the Green Path North.

12 Staff has been in continued negotiations
13 with San Diego Gas and Electric, Citizens Energy,
14 Los Angeles Department of Water and Power and
15 Southern California Public Authority on the Green
16 Path projects.

17 We have also been an active participant
18 in several California Independent System Operator
19 efforts including Cal-ISO remote resource
20 interconnection policy stakeholder process, the
21 California subregional planning group, and the
22 California renewable energy transmission
23 initiative.

24 Finally, with respect to resource
25 adequacy, Director James Hanks will speak to our

1 efforts in this area at this afternoon's workshop
2 on the progress of publicly owned load-serving
3 entities toward this end.

4 Several members of our staff and also
5 our lead negotiator on the Green Path projects,
6 Mr. Zaid Alayan, have accompanied me and can
7 answer any specific technical questions you or
8 your staff may have with respect to our efforts to
9 accomplish these goals of interest to the
10 Commission.

11 In conclusion while we may have had some
12 management challenges lately, The IID Board and
13 the Staff are working diligently to do our part to
14 meet the state's energy needs. We respectfully
15 request that recommendations and references to a
16 lack of commitment on the IID's part be removed
17 from the joint Committees' draft report. You have
18 my personal assurance that IID Staff and Board are
19 committed to working with you and your staff to
20 meet the vast energy challenges that face all of
21 us.

22 Thank you for your time and
23 consideration of our comments. Questions?

24 PRESIDING MEMBER PFANNENSTIEL: Ms.
25 Mendoza, I just want to say that we appreciate

1 your being here. We appreciate your comments.
2 And they're certainly ones that we will take
3 seriously.

4 MS. MENDOZA: Thank you very much.

5 PRESIDING MEMBER PFANNENSTIEL: Frank
6 Cady from the Lassen Municipal Utility District.

7 MR. CADY: Thank you very much. I am
8 Frank Cady; I'm the General Manager of the Lassen
9 Municipal Utility District. And I appeared before
10 this Board in March and gave a presentation of who
11 we were.

12 We are a small municipal utility
13 district that was formed in 1986 located in
14 northeastern California. We took over the service
15 territory of a POU -- or an IOU, CP National, up
16 in that territory.

17 We're located in a very remote part of
18 northeastern California. And as I was flying down
19 here today, however, over the mountains, even
20 though I wasn't going over any national parks, I
21 did go over a lot of burned national forests that
22 are completely burned. And just between
23 Sacramento and Susanville you have about 60,000
24 acres of potential corridor that don't have any
25 trees in them any longer, and they're being

1 cleared as we speak.

2 However, my comments are, and I would
3 like to first apologize for not getting anything
4 in in writing. Lassen, having about 12,000
5 customers and a \$20 million budget, is a very
6 small utility.

7 And the group that tries to stay on top
8 of these things consists of myself and Don
9 Battles. Kind of a one-man, two-man shop. And we
10 do the best we can, but sometimes it isn't as
11 professional or as well developed or as
12 comprehensive as we would like. And certainly not
13 as well as the big IPPs, IOUs and POU's can do.

14 First of all I think you should be very
15 very proud of your staff. The document in front
16 of you is a very understandable, from my
17 perspective a very understandable document. And
18 please understand I'm not an engineer. I wasn't
19 raised in the power industry. I've been the GM
20 for two years. Before that was I was the general
21 counsel for the District. And my knowledge, or
22 lack of it, comes from those experiences.

23 However, in reading the document, to me
24 it brings together the very confusing plethora of
25 the intergovernmental and departmental goals and

1 mandates in a format that is understandable.

2 Mr. Najarian, Mr. Bartridge and many
3 others on your staff have been very helpful to me
4 in particular, in helping me understand, and
5 providing information to understand these diverse
6 and scattered goals and mandates, scattered
7 throughout the departments and the state's
8 agencies, as well as within the Legislature,
9 itself, after bills become chaptered.

10 One phrase, I think, in the report, in
11 the executive summary, sums up exactly what is
12 going on and what is being attempted to be
13 accomplished, and I think being accomplished. And
14 even though it refers to greenhouse gas policy
15 objectives, I think it transcends all areas of
16 what is trying to be accomplished by this
17 strategic transmission plan.

18 The statement is, The achievement of
19 state greenhouse -- this is on page 1 of your
20 executive summary -- the achievement of state
21 greenhouse gas policy objectives by the
22 electricity sector will depend, to a large degree,
23 on the interconnection and operational integration
24 of renewable generation to the transmission grid."

25 That sums everything up. If you take

1 away the green aspect of that and just talk about
2 the whole of the generation and transmission
3 needs, and substitute the entire loading order,
4 that sums up the challenge. And I think you have,
5 as has been referred to in the document, you have
6 a roadmap in front of you that will assist this
7 Commission, and recommends to the other Boards,
8 Commissions, Legislature, Governor, a way to
9 accomplish what you believe needs to be
10 accomplished, and how to accomplish it.

11 LMUD agrees with the recommendations of
12 the draft strategic plan. LMUD views the whole of
13 the document to tactically promote three needs.
14 And the way I analyze it, the three needs are to
15 keep the southern California processes moving
16 forward in the most effective, efficient manner
17 consistent with due process. Because there is
18 definitely a need down there that has been
19 identified and talked about.

20 No need to go over each of the
21 processes. Each entity down there needs pretty
22 much what has been identified in the staff report.

23 However, as is also mentioned in the
24 staff report, the longer you wait the more
25 difficult it becomes to permit and site these

1 things, given the NIMBY-ism and all the other
2 acronyms, the BANANA and everything else that
3 comes along. And the NAAA, what's that, Nothing
4 Anywhere Anytime, Anyplace.

5 The longer that these things are talked
6 about and no action, the more opposition there
7 will be. And the more population base will come
8 in, the more difficult it will be to site. And
9 that will segue in a moment to my area.

10 The second thing that is being done here
11 is identify and start the processes, the same
12 processes, in central California. Which being
13 from the real northern California, I define as
14 from Fresno to just a little bit north of here,
15 maybe Natomas area.

16 That that needs to be improved. The
17 things that are in your report, you know, TANC's
18 Greek alphabet projects, especially the Zeta
19 project, is of great interest to us. The
20 Sacramento voltage support project that Western is
21 doing that customers just agreed to fund two weeks
22 ago, a \$70 million project, is a good project.
23 PG&E's clean up, transmission cleanup project
24 that's identified as a good project. SMUD's
25 O'Banion projects are good projects. They're all

1 needed; they're building blocks.

2 And, of course, looking at the parochial
3 or just a micropicture, they're building blocks
4 that we need for our remote area in order to
5 assist us and for us to assist the state in
6 reaching its goals.

7 The third thing that I see in this plan
8 is it identifies and attempts to start the
9 processes for northern California. And as I say,
10 that northern California is from a little north of
11 right here up to the Oregon border.

12 All these things need to be done
13 concurrently. And within the framework of two or
14 four years it appears that they are recommended to
15 be done concurrently if we consider time to be --
16 if we look at time in a geologic sort of sense.

17 I would like to see some of these things
18 done a little bit faster, especially in what I
19 consider to be northern California. But the
20 building blocks need to be made. You know, you
21 need to pick off the easy things and things that
22 are going anyway right now in southern California.
23 You need to put the building blocks in place in
24 central California.

25 And then we need to work on the

1 transmission corridors in northern California to
2 bring in the things from Canada, from Wyoming,
3 from Idaho, from the east, such as what PG&E is
4 looked at in its British Columbia to northern
5 California transmission projects. As well as what
6 BPA is looking at; as well as what PacifiCorp is
7 looking at. All of these things work together in
8 a regional sense.

9 I guess that does give me a little segue
10 to the interstate processes. There are a lot of
11 subregional and regional planning things going on
12 right now. There are subregional meetings within
13 WestConnect. The group has just been put together
14 consisting of those that are interested in
15 northeastern California and northwestern Nevada,
16 which is the northeastern portion of the
17 WestConnect territory.

18 That consists of Western, SMUD, Sierra
19 Pacific Power Company in Nevada, and others.
20 Talking about these western grid connections that
21 are needed in the northern part of our state and
22 in Nevada, in addition to what WestConnect is
23 talking about in the southern portion.

24 To sum up, LMUD really looks forward to
25 participating as much as we can. When I say LMUD,

1 you know, read Don and I. And participating as
2 much as we can in the many CEC processes that are
3 going on, the hearings and the Committees. I'm
4 especially interested in the CRETl Committee. And
5 all the recommendations, the recommended and
6 existing Cal-ISO processes; and other processes
7 that this transmission strategic plan recommends.

8 We look forward to providing a rural,
9 isolated, small POU/LSE's perspective to these
10 Committees. And mainly because they're from the
11 viewpoint of having some resources that we believe
12 are potentially very valuable, or maybe on the
13 lower end of very valuable, such as wind in our
14 area. That has been -- you know, the studies are
15 coming out at about 34 percent on it. However,
16 they're stranded. We need to get them to the --
17 we need to get them to load.

18 What's happened since I addressed you in
19 March, in our area, we've -- I believe I mentioned
20 we had nine entities, whether they're POUs,
21 whether they're IOUs, whether they're IPPs, a lot
22 of them are here in this room, that have taken out
23 study -- or I call them -- BLM called them rights-
24 of-way, the Forest Service calls them rights-of-
25 way -- I call them licenses -- to study various

1 areas for wind.

2 We have MET towers all over the place up
3 there. Two of these IPPs have been working
4 directly with us. One of them has got to the
5 point where we've completed system impact studies
6 for both our system and PG&E's system to put their
7 -- well, the first 50 megawatts of their power on
8 the line. They want to go up to 400.

9 They've also completed a system impact
10 and a facility study with Sierra Pacific for a lot
11 of their power to go to Nevada for their RPS --
12 portfolio and their standards, and their mandates.

13 We have a second one that was just
14 submitted to me, a request to begin a process for
15 100 megawatts for a system impact study, as well
16 as a facility study.

17 And as you probably are unaware -- and
18 I'm sure you're unaware, we have an
19 interconnection agreement with PG&E at a little
20 town called Westwood, by Lake Almanor. That's the
21 head of PG&E's Feather River hydro system, their
22 staircase of power -- or stairstep of power,
23 whatever it is.

24 It's a very small connection; we can get
25 50 megawatts over that with relatively low network

1 improvement costs. Over above that there's going
2 to be some significant costs for doing that.
3 Either that route needs to be improved, or a new
4 route a little north of us which has been
5 identified by PG&E in their northern California-
6 to-BC studies, as well as a lot of other agencies,
7 we need to move forward on those things so we
8 don't run into a Sunrise Power Link sort of
9 problem down the road.

10 These studies are going forward. We
11 have, because of our interconnection agreement
12 with PG&E we have the ability to pretty much
13 bypass the Cal-ISO's queue and go directly to
14 network upgrades under our interconnection
15 agreement. And do these sorts of upgrades to get
16 this power out.

17 And we are pursuing it. Our IPP's
18 recognized it. We've had meetings with PG&E and
19 as a result of that these impact studies and
20 facility studies have moved forward.

21 The 50 megawatts, as I mentioned, is
22 relatively inexpensive. However, how do we get
23 out the rest? This plan, this roadmap that is
24 being presented to you will help address these
25 concerns and these constraints.

1 In conclusion I would just like to
2 encourage you and your staff to keep up the good
3 work; and allow your staff to keep up the good
4 work. And thank you and your staff again for
5 allowing us to participate.

6 Thank you.

7 PRESIDING MEMBER PFANNENSTIEL: Thank
8 you, Mr. Cady. And thank you for your comment.
9 And also thank you for your continued
10 participation in the proceeding, and very
11 valuable. Thanks.

12 MR. CADY: You're welcome, thank you.

13 PRESIDING MEMBER PFANNENSTIEL: Les
14 Guliasi, PG&E.

15 MR. GULIASI: Good morning,
16 Commissioners, Advisors, Staff. I'm Les Guliasi
17 with PG&E.

18 You have before you an excellent report.
19 I think the staff should be applauded for the work
20 they did. Just reflection for a moment on my time
21 last week. I was in Washington, D.C. where I
22 spoke to a conference on the importance of
23 transmission as a strategic investment.

24 And there were people from mostly the
25 northeast, but there were people from the west,

1 from around the country. And in my conversations
2 with people I wasn't able to find anybody who had
3 a process within their state that resembles
4 California, for better or for worse.

5 But one of the virtues of the process
6 that you have in place and the work you do is to
7 spotlight important policy issues. Certainly
8 transmission is one of those key policy issues
9 before us today.

10 And the work that you do is an important
11 first step in getting the state to pay attention
12 to what needs to be done. So, again, I think you
13 really need to compliment the staff and support
14 them in their efforts.

15 I just want to make a couple brief
16 remarks on two points. The first one has to do
17 with one of the recommendations you made specific
18 to PG&E that has to do with the central California
19 clean energy transmission project.

20 You recommend that we convene a study
21 group with the ISO. I think that's a sound
22 recommendation; that's something that needs to get
23 done quickly.

24 Along with that recommendation you said,
25 if needed, we should apply to the Energy

1 Commission for corridor designation. I'm glad you
2 said the words, if needed. It's not clear that
3 we'll need to do that. I think we need first to
4 convene the study group and see what falls out.

5 Notwithstanding the fact that you
6 recently issued a set of regulations for the
7 corridor designation process, it's still an
8 unknown process. We don't know exactly how that
9 process is going to work.

10 And I just want to remind you that as an
11 investor-owned utility we're still beholden to the
12 Public Utilities Commission for the issuance of a
13 certificate for public convenience and necessity,
14 or for a permit to construct. So we still have to
15 go through a CPUC process, along with an ISO
16 process.

17 If we harken back to the comments I made
18 in March at your initial workshop, comments that
19 were actually reflected in the report, thank you,
20 I made the point that strong interagency
21 coordination is needed. And I specifically called
22 out the need for the Energy Commission to take a
23 very strong active lead role in that coordination.

24 I'm just thinking back a moment ago,
25 Commissioner Geesman, when you spoke to Southern

1 California Edison about the issue of utility
2 holding assets in ratebase. Specifically for this
3 important transmission need.

4 This issue has been before us now, I
5 think for at least -- well, certainly going back
6 many years, but before your Commission we've been
7 talking about this issue now in this second IEPR
8 cycle.

9 So, you know, you're right. If the CPUC
10 -- nothing has happened at the CPUC. The way that
11 the CPUC takes up these issues is either through
12 an application, typically in a general ratecase,
13 by a specific utility; or on their own initiative
14 for opening up an investigation.

15 We haven't seen any action or any will
16 on their part to open up such an investigation.
17 Maybe one isn't needed. But, this just
18 reinforces, I think, your frustration with how
19 slow things actually move.

20 So, I'm urging you, as a Commission, to
21 do what you can to move this ball forward, whether
22 it's through legislation, which we would
23 wholeheartedly support, or through active
24 conversation with your sister agency to move this
25 ball a little bit further.

1 My second point really is in the form of
2 a question. It has to do with the brand new
3 initiative, the California Renewable Energy
4 Transmission Initiative. And I guess I'm
5 wondering, from your perspective -- and I'm asking
6 this question somewhat rhetorically, and I don't
7 expect you necessarily to answer me today, or
8 answer the parties today, but I'm wondering to
9 what extent some of the recommendations you put
10 forward in your report and the actions that we're
11 currently engaged in, with respect to
12 transmission, will be overtaken by that initiative
13 process.

14 I recognize that the first kick-off
15 meeting for that initiative is next week. And
16 that process will unfold and we'll see. So, to
17 the extent that you recognize that process in the
18 report and talk about how that initiative will
19 dovetail with the actions and recommendations you
20 make in your report would be helpful.

21 ASSOCIATE MEMBER GEESMAN: I guess my
22 reaction, Les, is to say I don't think anybody
23 knows. Personally I would hope that it would be
24 overtaken by that effort, because I'm in favor of
25 forward momentum wherever it comes from.

1 If, in fact, the CRET process is
2 overtaken by the corridor designation process, I'm
3 in favor of that, too, if it represents forward
4 momentum.

5 We have, as you recognize, an enormous
6 amount of institutional inertia to confront here.
7 And I think your questions on the "if needed"
8 corridor designation comment in the staff report
9 is appropriate, I don't think we know how that
10 process is going to shake out.

11 To me, the challenge that state
12 government overall, and the ISO, face is how best
13 to adapt CEQA to these permitting challenges.
14 Right now, if I can borrow from our national
15 pastime as a metaphor, we concentrate all of our
16 decisions in the eighth or ninth inning of a
17 decisionmaking process. It goes under the formal
18 label as CPCN. But there's no mistaking the fact
19 that those decisions on need, purpose of the line,
20 and all of the environmental impacts tend to get
21 deferred until the very end of the process.

22 I think it would be in the state's best
23 interest if we made as many of those decisions as
24 we could in the first or second inning. I
25 certainly think questions like need, purpose of

1 the line, perhaps many of the environmental
2 question could be made much earlier in the
3 process.

4 The expertise in determining need
5 resides at the ISO. The difficulty is that
6 they're not a state agency, so their determination
7 has no significance under CEQA.

8 We need to figure out a way in which to
9 blend the authorities of each of these entities so
10 that they can productively render good decisions,
11 and render them in a timely way. Whether that's
12 CRETI or the corridor designation process, hard to
13 say right now.

14 MR. GULIASI: I wholeheartedly agree
15 with you. And one of the things I said back in
16 March was that if we were going to institute a
17 corridor designation process, we needed to find a
18 way to insure that it's more of a streamlined
19 initiative, not just adding a duplicative process
20 or a new process.

21 So, I guess I'm thinking along the same
22 lines that you are, that there's a great deal of
23 institutional inertia. And it's not just
24 government inertia, it's institutional inertia
25 that cuts across all stakeholder interests and

1 entities.

2 And it's frustrating, because we keep
3 adding new processes or new initiatives, and
4 meanwhile time marches on and things move slowly.

5 ASSOCIATE MEMBER GEESMAN: Well, the
6 issue isn't quite as stark in northern California
7 in terms of state government's perspective. But
8 in southern California, the seven southernmost
9 counties, jurisdiction there is all federalized.

10 And if the state doesn't get its act in
11 order, and figure out a way in which to make these
12 decisions in a timely way, it won't be the state
13 making them. And the state, I think, clings
14 pretty tenaciously to land use authority, land use
15 decisions, or the application of the California
16 Environmental Quality Act.

17 But it's very very clear in those
18 southern counties that based on our past
19 performance or nonperformance, those decisions are
20 going to be federalized unless we figure out a way
21 in which to make them better and more timely.

22 And I suspect the same will prove true
23 in northern California at some point in time
24 unless we get our act in order.

25 MR. GULIASI: I agree with you. Thank

1 you for your time today.

2 PRESIDING MEMBER PFANNENSTIEL: Thank
3 you, Les. David Kates, Nevada Hydro Company.

4 MR. KATES: Madam Chairman,
5 Commissioners, thanks for this opportunity to
6 speak to you. As you know, we've been pushing the
7 LEAPS project for quite some time, and we were
8 very glad to see that mention was made of it in
9 your latest report.

10 Went through that report in some detail
11 and believe your staff did just an excellent job,
12 not only in characterizing the benefits of our
13 project, but in characterizing all of the issues
14 that are surrounding permitting transmission here
15 in the State of California.

16 I also wanted to give you just a very
17 brief update. We are now working very closely
18 with the staff of the Public Utilities Commission
19 to craft a filing at the PUC. The PUC has agreed
20 to be our lead agency for purposes of CEQA. And
21 so we are moving ahead very expeditiously with the
22 PUC to get the necessary permits and approvals we
23 need for the transmission line, for the upgrades
24 and ultimately to get the LEAPS pump storage
25 project up and running.

1 Finally, I just wanted to follow up on
2 comments earlier about the Energy Commission's
3 potential role as coordinator. We were very
4 interested to note that the Energy Commission
5 believes that not just Sunrise, but LEAPS and
6 GreenPath are all critical assets.

7 And I personally believe that the state
8 is a little bit confused, from many perspectives,
9 a to how to bring all three of those projects into
10 reality. And we would look forward to working
11 closely with the Commission to see that happen.
12 Because we believe that is the way to go to solve
13 all of the pressing problems in southern
14 California.

15 Thank you very much for your time. If
16 you have any questions, I'm happy to answer them.

17 PRESIDING MEMBER PFANNENSTIEL: Yes.

18 PRESIDING MEMBER BYRON: Mr. Kates,
19 thanks for being here.

20 MR. KATES: Sure.

21 PRESIDING MEMBER BYRON: One of the
22 recommendations in this plan is to separate or
23 bifurcate the generation and transmission and
24 treat them separately. I just wanted to make sure
25 that I understood correctly that you're in support

1 of that recommendation?

2 MR. KATES: Yes, we are.

3 PRESIDING MEMBER BYRON: Okay.

4 MR. KATES: As you know, we have a
5 filing in at FERC that treats the projects in a
6 combined fashion. And whatever FERC decides we'll
7 abide by. Who knows what's going to happen there.

8 But here in the state we are going to
9 have a combined CEQA process that will address all
10 the projects, and of course, all of the
11 alternatives to the projects, as well.

12 But we're hoping to bring the
13 transmission line online as quickly as possible,
14 and follow that up with the LEAPS project.

15 PRESIDING MEMBER BYRON: Thank you.

16 MR. KATES: Sure. Thank you.

17 PRESIDING MEMBER PFANNENSTIEL: Thank
18 you, sir. Do we have any comments from people on
19 the phone?

20 Anybody else here in the room who would
21 like to provide comments?

22 If not, I want to thank the staff for a
23 really excellent report. I know that it's a
24 complicated subject for a lot of reasons. And
25 there's a lot of different wheels spinning on this

1 one.

2 And I think you've brought together at a
3 point in time the best advice and the best
4 recommendations that we have.

5 And I want to thank all of you who
6 provided comments, both here publicly and in
7 writing. The two Committees will consider the
8 comments and revise the report accordingly on the
9 schedule that's been proposed.

10 So, thank you all. We'll be adjourned.

11 (Whereupon, at 10:45 a.m., the Joint
12 Committee hearing was adjourned.

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Joint Committee Hearing; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing, nor in any way interested in outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 30th day of September, 2007.

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