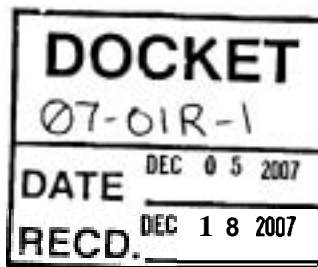


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**STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

In the Matter of:

Rulemaking to Implement the Corridor
Designation Process under SB 1059

) Docket No, 07-01R-1
) Order Number 07-1205-3
)
) ADOPTION ORDER
) December 5, 2007

I. Background

On September 21, 2007, the California Regulatory Notice Register published a notice of proposed action (NOPA) announcing the possible adoption of new regulations by the California Energy Commission. Thus began the formal rulemaking proceeding for the corridor designation process. The regulations proposed for adoption would govern the Commission's new process for designating transmission corridor zones for high-voltage electric transmission lines in the state. The Commission's new authority stems from Public Resources Code sections 25330 to 25341, which were added to the Warren-Alquist Act by Senate Bill 1059 in September 2006 (Stats. 2006, Ch. 638). The Commission is authorized to adopt regulations pursuant to Public Resources Code sections 25213 and 25218(e). Available for public review with the publication of the NOPA has been the text of the proposed regulations and the initial statement of reasons describing the rationale for each proposed section.

On December 5, 2007, the Commission held a hearing to consider the adoption of the proposed regulations. Adopting the regulations would further specify the corridor designation process that is authorized and described in Public Resources Code sections 25330 to 25341. In addition, the regulations would set forth the informational requirements for any applicant seeking designation of a proposed corridor. By the terms of the proposed informational requirements, contained in Appendix A of the regulatory proposal, the Commission would also be subject to the same informational requirements if it chooses to institute a designation process by its own motion as allowed under Public Resources Code section 25331.

II. Energy Commission Findings

Based on the published NOPA and the lack of comments to the contrary, the Energy Commission formally makes the following findings:

A. Small Business Impacts

The proposed regulations would not affect small businesses. No small business would be legally required to comply with the regulations nor would any small business necessarily derive a benefit or incur a detriment as a result of these regulations being adopted. To seek designation of a proposed transmission corridor and be subject to the regulations would be strictly by choice.

B. Local Mandate Determination

The proposed regulations would not impose a mandate on local agencies or school districts.

C. Cost/Savings Estimate

The proposed regulations would not cause any cost or savings to any state agency if adopted. Nor would there be any cost to local agencies or school districts as a result of the regulations being adopted and, thus, no cost that is required to be **reimbursed** under Government Code section 17500 et seq. There would be no cost or savings in federal funding to the state if the regulations are adopted and implemented. Further, there would be no nondiscretionary costs or savings imposed upon local agencies.

D. Statewide Economic Impact on Businesses

The regulations would not have a significant statewide adverse economic impact on business, including the ability to compete with businesses in other states. This determination is based upon the following facts: (1) the proposed regulations describe a process that applies only if a person chooses to propose a transmission corridor for state designation; (2) the proposed regulations have no provisions that require, mandate, or impose anything directly affecting business in the state; and (3) the ultimate goal of the regulations is to standardize the process that will facilitate **transmission** planning and permitting such that the state's economic future benefits from a well planned electric transmission system. Utilities that have the option of proposing corridors for designation by the Energy Commission have expressed support for a seamless planning and permitting process in which designating corridors promotes agreement on the need for transmission lines proposed within designated corridors and streamlines or focuses environmental review in the permitting process.

Even though the adoption of the proposed regulations would not automatically **impose** any requirements, restrictions, standards, or prohibitions on businesses, nevertheless, in the interest of discussing costs and benefits that may accrue to the state's investor-owned utilities should they elect to request designation of transmission corridors, an economic impact analysis was conducted. The potential costs and benefits identified in the analysis assume a business choosing to take advantage of the corridor-designation process.

The analysis shows the estimated cost to a utility or applicant to prepare and file an application for corridor designation ranges between \$200,000 and \$5 million. The total cost of the initial application and an update is estimated to be between \$1.3 million and \$8.5 million. The potential net benefit, assuming corridor designations result in needed transmission structures in the state, is expected to be \$86 million. This benefit would be to the state's utilities and ratepayers from improving California's electricity reliability, reducing current transmission system congestion costs, and improving access to lower-cost electricity.

E. Cost Impact to Private Person or Business

The Energy Commission is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

F. Assessment Regarding Jobs and Businesses

The proposed regulations, describing a process for anyone who chooses to apply for a corridor designation, will have no effect on the creation or elimination of California jobs, the creation of new business, or the elimination or expansion of existing business within California. The proposed regulations will not require business enterprises or individuals who choose not to apply for a corridor designation to submit reports, maintain records, or comply with new requirements. Those who do choose to apply to the Energy Commission would submit an application as prescribed and follow the procedures set forth in the regulations.

G. Impact on Housing Costs

The regulations have no effect on housing costs.

H. Consideration of Alternative Proposals

The Energy Commission has considered reasonable alternatives in the course of developing the proposed regulations. Since publication of the NOPA, no alternative has been brought to the Commission's attention. Accordingly, the Commission has determined that there is no alternative that would be more effective or less burdensome than the proposed regulations, given the statutory requirements and objectives of the designation process.

III. The California Environmental Quality Act

The Commission finds that, because adoption of the regulatory proposal for corridor designation would result in no entitlements under the Public Resources Code, but would only serve to specify a voluntary process for applicants, the proposal will clearly have no direct, or reasonably foreseeable indirect, significant adverse effect on the environment. Consequently, the Commission finds adoption of the regulations to be exempt from the California Environmental Quality Act (CEQA; Pub. Resources Code § 21000 et seq.). A notice of exemption based on Title 14, California Code of

Regulations, section 15061(b)(3), is hereby approved to be filed with the Office of Planning and Research as soon as practicable with the approval of the proposed regulations.

IV. Adoption of Regulations

Having considered comments received during the public review period beginning September 21, 2007, and the discussion at the December 5, 2007 business meeting, the Energy Commission hereby adopts the regulations that are attached and that have been available for public review with the publication of the NOPA in the California Regulatory Notice Register. We take this action under the authority of sections 25213 and 25218(e) of the Public Resources Code for the purpose of implementing and making more specific sections 25330—25341 of the Public Resources Code.

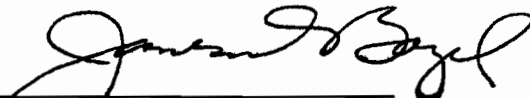
The Commission authorizes the Executive Director to prepare the final documents to complete the rulemaking record for submittal to the Office of Administrative Law and to file a notice of exemption from CEQA with the Office of Planning and Research. The Commission authorizes the Executive Director to make corrections and nonsubstantive changes as may be requested by the Office of Administrative Law for its approval.

December 5, 2007

ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION



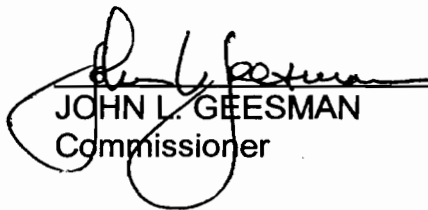
JACKALYNE PFANNENSTIEL
Chairman



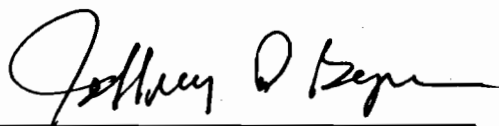
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