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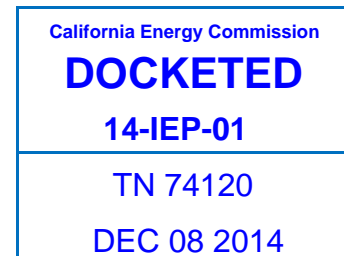
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December 8, 2014

California Energy Commission  
Dockets Office, MS-4  
Re: Docket No. 14-IEP-1  
1516 Ninth Street  
Sacramento, CA 95814-5512  
Via email: [docket@energy.ca.gov](mailto:docket@energy.ca.gov)



Re: 2014 Integrated Energy Policy Report Update: Comments of Duke American Transmission Company

Dear Commissioners,

Duke American Transmission Company ("DATC") appreciates the opportunity to provide comments on the California Energy Commission's ("CEC") draft 2014 Integrated Energy Policy Report Update<sup>1</sup> ("IEPR Update"). DATC and its two parent entities, Duke Energy and American Transmission Company, have substantial experience and expertise in electric transmission from their many decades of ownership and operation of major transmission facilities in several other states. DATC has proposed to augment the capacity of the Western Area Power Administration's ("WAPA" or "Western") planned San Luis Transmission Project ("SLTP") in the California Independent System Operator's ("CAISO") 2014-2015 Transmission Planning Process reliability open window. The policies articulated by the CEC's IEPR Update, namely maximizing the efficient use of transmission corridors, support the selection of projects such as SLTP. DATC asks that the CEC recommend to the CAISO that the CAISO apply the policies articulated in CEC's IEPR Update to the 2014-2015 transmission planning process.

## **I. DATC SUPPORTS THE LANGUAGE PERTAINING TO "RIGHT-SIZING" TRANSMISSION PROJECTS IN THE IEPR UPDATE.**

DATC is pleased to support the addition of the discussion on "right-sizing" transmission projects on page 184 of the IEPR Update.<sup>2</sup> The discussion reflects important state policies, stating:

[The approach of adopting a long term transmission plan] may [ ] provide a basis for the energy regulatory agencies to encourage utilities to proposed transmission projects that are 'right sized' to meet current and future needs.

<sup>1</sup> 2014 Draft Integrated Energy Policy Report Update, <http://www.energy.ca.gov/2014publications/CEC-100-2014-001/CEC-100-2014-001-D.pdf> (November 2014).

<sup>2</sup> Chapter 8, Stakeholder Perspectives on Integrating Environmental Information on Planning Processes.

Also, the risk of stranding assets can be avoided when transmission is approved for projects that conform to Garamendi principles of being located near or in existing corridors.<sup>3</sup> This issue of “right-sizing” was first identified in the 2011 IEPR proceeding, where the Energy Commission considered ways to make better use of the existing grid by allowing projects to be upsized beyond what is needed to provide unused capacity for future use. Upsizing could maximize the value of land associated with already necessary transmission investment while avoiding future costlier upgrades to accommodate additional needed (for example, reliability, renewable, economic, public policy driven) development.<sup>4</sup>

Right-sizing transmission was also discussed by panelists within the context of the DRECP planning area in the July 13, 2012 Energy Roundtable Discussion on Infrastructure Planning, Cost, and Market Implications of the DRECP. Jonathan Weisgall of Mid-American Energy Holdings Company suggested that the long term perspective provided by the DRECP makes the case for upsizing new transmission lines with extra capacity where it looks like the line will be fully subscribed in the future with renewable energy projects. Dennis Peters from the California ISO noted that some of this is already occurring with projects that are being built or in the permitting process. Carl Zichella, with the Natural Resources Defense Council (NRDC), stated that the DRECP is a great model for thinking about which areas can be developed, and using that information to understand the scale and capacity of transmission that will be needed.<sup>5</sup>

The language underscores California’s policies to maximize project value and minimize the financial and environmental impact associated with building new transmission capacity. The IEPR Update’s emphasis on “right-sizing” transmission amounts to optimizing infrastructure investments to account for future changes to the system. DATC supports this IEPR language as not only sound policy but sound and appropriate implementation of existing law, including the Garamendi Principles<sup>6</sup>. DATC appreciates the CEC’s recognition of these important policies in the IEPR update.

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<sup>3</sup> Footnotes omitted.

<sup>4</sup> Citing 2011 IEPR, p. 38

<sup>5</sup> Footnotes omitted

<sup>6</sup> Garamendi Principles, SB 2431, Stats. 1988, Ch. 1457. The Garamendi Principles state, in pertinent part, as follows:

(a) The Legislature finds and declares that establishing a high-voltage electricity transmission system capable of facilitating bulk power transactions for both firm and nonfirm energy demand, accommodating the development of alternative power supplies within the state, ensuring access to regions outside the state having surplus power available, and reliably and efficiently supplying existing and projected load growth, are vital to the future economic and social well-being of California.

(b) The Legislature further finds and declares that the construction of new high-voltage transmission lines within new rights-of-way may impose financial hardships and adverse environmental impacts on the state and its residents, so that it is in the interests of the state, through existing licensing processes, to accomplish all of the following:

1. Encourage the use of existing rights-of-way by upgrading existing transmission facilities where technically and economically justifiable.

## **II. DATC URGES THE CEC TO COMMUNICATE TO THE CAISO THAT THE SPECIFIC POLICIES IN THE LANGUAGE ABOVE SHOULD BE APPLIED IN APPROVING POLICY DRIVEN TRANSMISSION PROJECTS IN THE CAISO'S CURRENT TRANSMISSION PLANNING CYCLE.**

DATC urges the CEC to communicate the specific policies in its IEPR Update to the CAISO as policies that should be applied to the approval of policy driven transmission projects in the current planning cycle. As the entity charged with planning for the major portions of California's high-voltage electric grid, the CAISO is responsible for implementing specific transmission policies, including those policies recognized in the IEPR Update.<sup>7</sup>

The IEPR Update language above supports the approval of projects like the SLTP. As discussed by Jeffery Harris at the November 24, 2014 IEPR update workshop, the SLTP directly squares with the policies articulated in the IEPR Update language and provides several additional benefits.

First, "right-sizing" or optimizing the line at 500 kV would make most efficient use of an existing transmission corridor consistent with the policies articulated in the IEPR Update. The additional 1,200 MWs of incremental capacity for future development would reduce financial costs and environmental impacts on the CAISO grid.

Second, SLTP provides benefits that would help California meet other renewable and greenhouse gas reduction goals. For instance, the project facilitates the development of renewable generation in the San Joaquin Valley. The increased capacity strategically positions the Valley for expansion of projects that will take advantage of the region's abundant natural energy resources, and expands transmission access and flexibility to help the state meet its renewable energy and greenhouse gas reduction goals.

Third, SLTP contributes to the reliability of the grid. Aside from enhancing coordination with Western and other balancing authorities as required by FERC Order 1000<sup>8</sup>, SLTP strengthens the transmission corridor between the Tracy and Los Banos areas and improves delivery of energy and water supplies. In effect, the project increases the capability of the CAISO grid as a hedge against uncertainties resulting from unprecedented changes in the demand and supply of electricity.

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2. When construction of new transmission lines is required, encourage expansion of existing rights-of-way, when technically and economically feasible. (Emphasis added).

3. Provide for the creation of new rights-of-way when justified by environmental, technical, or economic reasons, as determined by the appropriate licensing agency.

<sup>7</sup> As part of its transmission planning process, the CAISO is required to evaluate policy-driven transmission solutions and consider state policy. FERC Order No. 1000 directed that "local and regional transmission planning processes support the development of more efficient and cost effective transmission facilities to meet the transmission needs driven by Public Policy Requirements." FERC Order No. 1000 para. 207. In response to Order 1000, the CAISO codified Tariff Section 24.4.6.6, which requires the CAISO to evaluate transmission solutions needed to meet state, municipal, county, or federal policy requirements. See CAISO Tariff Section 24.4.6.6, available at [http://www.caiso.com/Documents/Section24\\_ComprehensiveTransmissionPlanningProcess\\_Oct1\\_2013.pdf](http://www.caiso.com/Documents/Section24_ComprehensiveTransmissionPlanningProcess_Oct1_2013.pdf).

<sup>8</sup> See generally, FERC Order No. 1000, <http://www.ferc.gov/whats-new/comm-meet/2011/072111/E-6.pdf>.

With the benefits of projects like SLTP in mind and having previously acknowledged its support for these broader transmission planning policies in the IEPR Update, the CEC is well-positioned to communicate these policies to the CAISO. DATC urges the CEC to remind the CAISO to keep these principles in mind while implementing the 2014-2015 transmission plan.

### **CONCLUSION**

DATC supports the addition of the discussion on optimizing transmission projects in the IEPR Update. The policies underlying that discussion, including utilizing existing transmission corridors, reducing financial costs and minimizing environmental impacts can be achieved by projects such as the San Luis Transmission Project. Accordingly, DATC asks that the CEC communicate those policies to the CAISO and encourage the CAISO to apply them to the approval of policy driven transmission projects in the 2014-2015 transmission planning process.

Sincerely,



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