



Keith E. Casey, Ph.D.
VP, Market and Infrastructure Development

January 29, 2015

Mr. Robert B. Weisenmiller, Chair
Ms. Karen Douglas, Commissioner
California Energy Commission
1516 Ninth Street, MS-32
Sacramento, CA 95814

California Energy Commission

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Dear Chairman Weisenmiller and Commissioner Douglas:

Thank you for your letter of January 16, 2015 expressing the Energy Commission's support for applying a "right-sizing" policy to our review of new transmission facilities. We agree that it is critical that right-sizing be given due weight in ensuring that new facilities are developed to maximize value and minimize environmental and financial costs associated with new transmission. We appreciate your acknowledgment that we already apply right-sizing principles to our transmission planning process and I want to assure you we will continue this practice going forward. We understand the importance of considering the potential for future needs in balancing the costs and benefits of expanding facilities beyond the currently identified requirements.

You referenced in particular the San Luis Transmission Project and the interest expressed by Duke American Transmission Company (Duke) to expand the 230 kV project currently proposed by the Western Area Power Administration (WAPA) to 500 kV. The expanded project would add approximately 1200 MW of incremental capacity to the transmission operated by the ISO. Duke has also expressed interest in this line to the ISO in the 2014-2015 planning process, and ISO staff have met with Duke and WAPA staff a number of times on the subject. We have given significant consideration to the potential need for such a project in last year and this year's planning cycles.

Specifically, the ISO has examined the need for further reinforcement of the Tracy-Los Banos path in all stages of studies conducted in the 2013-2014 transmission planning cycle, exploring the reliability-driven, policy-driven and economically driven needs of the grid. The study assumptions relied upon were developed in concert with the CPUC, the CEC, and other stakeholders, consistent with our established process. Among the key assumptions are the renewable generation portfolios, which are developed through a CPUC process and the load forecast developed by the CEC. We studied the need for reinforcements again in the 2014-2015 planning process, using

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updated assumptions. Last year's final results and this year's preliminary results do not demonstrate any need for the additional capacity this upgrade would provide.

We will, however, revisit needs in the area in the 2015-2016 planning cycle, in light of the Governor's announcement of a goal to derive 50% of our electricity from renewable resources by 2030. We look forward to continued support and collaboration with the state energy agencies in developing the study assumptions addressing where and when renewable generation will be developed to meet the Governor's goal. Our own dialogue with WAPA has indicated that if a need is identified in the 2015-16 process, they would have enough time to proceed with timely development of either a 230 kV or 500 kV upgrade.

Again, thank you for communicating your concerns, and I look forward to working with you in the next year.

Sincerely,

A handwritten signature in blue ink, appearing to read "Keith E. Casey", with a long horizontal flourish extending to the right.

Keith E. Casey, Ph.D.
Vice President, Market & Infrastructure Development

Cc: Steve Berberich, CAISO
Karen Edson, CAISO
Michael Picker, CPUC
Robert Oglesby, CEC