

**CALIFORNIA LEGISLATURE**

STATE CAPITOL  
SACRAMENTO, CALIFORNIA  
95814

January 22<sup>nd</sup>, 2015

Steve Berberich  
President and CEO  
California Independent System Operator  
PO Box 639014  
Folsom, CA 95763-9014

**RE: San Luis Transmission Project**

Dear Mr. Berberich:

As the California ISO continues its review of the San Luis Transmission Project (SLTP) in the current transmission planning cycle, we wanted to communicate our further support for this critical project. The SLTP has gained tremendous support from agricultural, water and energy interests in the San Joaquin Valley. The project is also supported by a broad bi-partisan coalition of San Joaquin Valley state and federal policymakers who recognize the critical role this project will play in energy and water supply reliability and the future development and success of renewable energy in the San Joaquin Valley.

The "right-sizing" of this proposed federal project to 500 kV is sound economically and environmentally. The project is fully consistent with state and federal energy policies and provides important additional transfer capacity for the ISO grid in a critical north-south corridor. Failure to maximize the capacity of the SLTP will force more expensive and environmentally harmful choices in the future as the opportunity will be lost if not acted upon. Equally important, with the partnership and financial commitment of the federal water project, the ISO ratepayers will receive a very cost-effective resource for the added capacity that would be under ISO control.

The proposed expansion of SLTP is fully consistent with established California energy policy of maximizing project value and minimizing the financial and environmental impact associated with building new transmission capacity. The "Garamendi Principles" were enacted in 1988 (SB 2431, chapter 1457) and 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

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from Senator Fuller*

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 hardships on the state and its residents, so that it is in the interests of the state, through existing licensing process, 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
  - (2) **When construction of new transmission lines is required, encourage expansions of existing rights-of-way, when technically and economically feasible.** (emphasis added)
  - (3) Provide for creation of new rights-of-way when justified by environmental, technical, or economic reasons, as determined by the appropriate licensing agency.

The SLTP is also fully consistent with Federal energy policy. Federal Energy Regulatory Commission Order No. 1000 directs 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.” In response to Order 1000, the CAISO codified Tariff Section 24.4.6.6, which requires the CAISO to evaluate transmission solutions, such as the SLTP, needed to meet state, municipal, county, or federal policy requirements.

Since we last communicated with you, the California Energy Commission has also signaled its strong commitment to “right-sizing” projects such as the SLTP. In its draft 2014 Integrated Energy Policy Report (IEPR) Update, the CEC states:

[This approach of adapting a long term transmission plan] may [ ] provide a basis for the energy regulatory agencies to encourage utilities to propose transmission projects that are ‘right sized’ to meet current and future needs.

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. 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.

Right-sizing transmission was also discussed by panelists within the context of the DRECP planning area in July 13, 2012 Energy Roundtable Discussion on Infrastructure Planning, Cost and Market Implications of the DRECP. Jonathan Weisgall of Mid-American Energy Holding 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.

Clearly, the SLTP is fully consistent with these existing state policies. Recognizing and acting on this fleeting opportunity to "right-size" the SLTP at 500 kV will ensure investments in our energy grid are optimized to account for future changes to the system and provide an important hedge against uncertainties during a time of profound change in the energy sector.

In conclusion, approval of the SLTP at 500 kV will ensure that the state makes the most efficient use of an existing transmission corridor, and facilitates coordination with federal efforts. Second, the increased capacity strategically positions the San Joaquin Valley for expansion of projects that will avail themselves 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 in the most efficient manner possible. Third, grid reliability will be improved and a critical transmission corridor will be strengthened to enhance delivery of energy and water supplies. Finally, opportunities to develop renewable energy projects in the region will be unlocked, opening the door for one of the state's most economically depressed regions to benefit from significant investment, economic development and job creation. With Governor Brown's ambitious agenda for renewable energy and reducing the carbon footprint of California's generation fleet, there will be added opportunity for renewable development in the region that will need the transmission capacity offered by this project.

We strongly encourage the CAISO's support of this important project, and appreciate your personal attention to this matter.

Sincerely,



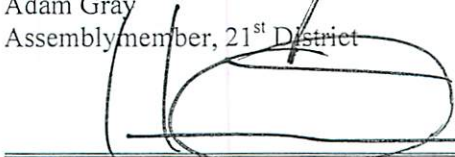
Jean Fuller  
Senator, 16<sup>th</sup> District



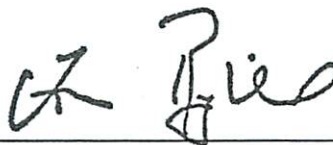
Andy Vidak  
Senator, 14<sup>th</sup> District



Adam Gray  
Assemblymember, 21<sup>st</sup> District



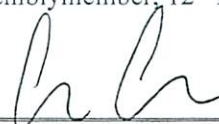
Henry T. Perea  
Assemblymember, 31<sup>st</sup> District



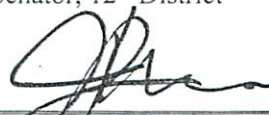
Tom Berryhill  
Senator, 8<sup>th</sup> District



Kristin Olsen  
Assemblymember, 12<sup>th</sup> District



Anthony Cannella  
Senator, 12<sup>th</sup> District



Jim Patterson  
Assemblymember, 23<sup>rd</sup> District



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Shannon Grove  
Assemblymember, 34<sup>th</sup> District



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Derron Mathis  
Assemblymember, 26<sup>th</sup> District

Cc: Board of Governors, CAISO  
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