

Decision 07-06-005 June 7, 2007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation to Facilitate Proactive Development of Transmission Infrastructure to Access Renewable Energy Resources for California.

Investigation 05-09-005
(Filed September 8, 2005)

OPINION CLOSING THE DOCKET

Summary

On September 8, 2005, the Commission opened this Order Instituting Investigation to proactively examine and improve the Commission's transmission planning and permitting processes as they relate to renewable resources and to ensure that California has the necessary transmission infrastructure in place in order to meet its renewable resource goals.¹

As discussed in more detail below, we have met all of the top priorities set for this proceeding:

- 1) Resolving cost recovery issues raised by Public Utilities Code Section 399.25;²
- 2) Streamlining the transmission permitting process where possible;
- 3) Coordinating renewable procurement with transmission planning; and

¹ This proceeding builds on the progress made in Investigation (I.) 00 11-001 and Rulemaking (R.) 04-04-026.

² All statutory references are to the California Public Utilities Code unless otherwise stated.

- 4) Identifying “low-hanging fruit,” or transmission infrastructure investments by the Investor-owned Utilities (IOUs) that do not require a Certificate of Public Convenience and Necessity (CPCN) or a Permit to Construct, and which would facilitate renewable resource development.³

In addition, we have resolved or are in the process of resolving, several of the additional issues identified by parties.

However, our work is not done. While the Commission has approved two renewable transmission projects in the past three months,⁴ given the role of renewables in meeting the State’s recently enacted Global Warming Solutions Act,⁵ we must continue to be proactive in the development of additional transmission projects necessary to reach remotely located renewable resources. Consequently, while we close this proceeding today to conform with statutory deadlines, we intend, in the near future, to open a new proceeding to continue this important work.

Discussion

The Commission has met all four of the top priorities identified by parties and set forth in the December Ruling.

Backstop Cost Recovery: All parties agreed that the Commission’s adoption of a backstop cost recovery mechanism for renewable transmission construction was key to California meeting its Renewable Portfolio Standard (RPS) goals. On June 15, 2006, the Commission issued D.06-06-034 in this

³ See December 21, 2005, Assigned Commissioner’s Scoping Memo and Ruling (December Ruling) establishing the scope and schedule for the investigation.

⁴ See D.07-03-012 and D.07-03-045.

⁵ Assembly Bill 32, Ch. 488, Stats. 2006.

proceeding, establishing a backstop cost recovery mechanism for renewable transmission facilities (Backstop Cost Recovery Decision).

Transmission Permit Streamlining: Parties requested that we streamline the Commission's transmission permitting processes. In response, on July 13, 2006, the Commission's Executive Director issued "Streamlining Directives."⁶ The Directives establish a collaborative pre-application review process between Commission staff and an applicant so that traditional permitting roadblocks are addressed prior to the filing of the application and the permitting process itself proceeds as scheduled. Thus far, this process has been extremely successful in avoiding the traditional delays experienced in the Commission's permitting process. Among other things, the streamlined process allows staff to contract with environmental consultants more quickly and to work with the IOUs to resolve application deficiencies prior to the filing. In addition, staff convenes quarterly meetings with the assigned Commissioner to ensure projects remain on track, to identify issues of concerns, and to share lessons learned.

Coordination of RPS Procurement with Transmission Planning:

Through collaboration between the Commission's RPS and Transmission staff, relying upon information provided by the IOUs, the Commission now tracks the transmission status of each RPS project under contract. RPS projects that may be at risk because of a lack of transmission are identified, and this information facilitates the Commission's transmission planning efforts.

⁶ The "Executive Director's Statement Establishing Transmission Project Review Streamlining Directives" is available on the Commission's website at: http://www.cpuc.ca.gov/static/energy/environment/060713_transmissionprojectreviewstreamliningdirective.pdf

Identification of “Easy Fix” Transmission Upgrades: Our work in this proceeding has raised the awareness of the stakeholders to “easy fixes” on the IOU transmission systems that do not require formal Commission approval and that can facilitate the delivery of renewable resources to the electric grid. Most recently, Pacific Gas and Electric Company (PG&E) reported to Commission staff about its planned implementation of a series of system upgrades, including remedial action schemes, that will facilitate the delivery of renewable resources to PG&E customers. We continue to encourage this type of proactive transmission planning for renewable resources, and for the IOUs to report these types of activities to Commission staff.

In addition to the four key items addressed above, many of the additional issues identified by parties in this proceeding have been resolved or are in progress.

Financing Transmission for Location-Constrained Resources: Notwithstanding the Commission’s adoption of the Backstop Cost Recovery Decision which provides for retail rate recovery, the source of financing for renewable transmission facilities requires additional work with regard to broader wholesale rate recovery, which is within the jurisdiction of the Federal Energy Regulatory Commission (FERC). On April 19, 2007, FERC approved the California Independent System Operator’s (CAISO) request to establish, in its tariff, a wholesale rate financing mechanism to encourage development of renewable transmission projects.⁷ Under the FERC-approved process, transmission owners, such as California’s IOUs, will be able to fund the costs of

⁷ Order Granting Petition for Declaratory Order, 119 FERC ¶ 61,061 (2007).

non-network transmission accessing location-constrained renewable resources through wholesale rates and then recover generator-specific costs from generators when they start using the line. This decision should address some of the financing issues surrounding renewable transmission.

Commission Coordination with the CAISO on RPS Issues: The Commission and the CAISO have collaborated successfully on the implementation of California's RPS goals. This is evidenced by FERC's approval of the CAISO's proposal for financing transmission for location-constrained resources, as well as the collaborative process that resulted in the Tehachapi Renewable Transmission Project's (TRTP) plan of service that was approved by the CAISO Board in January of this year.⁸ We fully intend for this coordination to continue, and to pursue resolution of issues such as early interconnection of renewable resources, and wind integration.

Appointment of a Commission Staff Project Manager for the Tehachapi Project: Parties requested appointment of a single Commission staff person that could serve as Project Manager for the TRTP. Tom Flynn, of the Commission's Energy Division, was selected and has done extensive work to coordinate the project.

The Assigned Commissioner's Ruling issued on July 13, 2007, details progress made on other issues identified by parties in this proceeding.

Conclusion

As demonstrated by the developments outlined above, this proceeding, and the one that follows it, will not be "business as usual" at the Commission.

⁸ Commission staff anticipate that Southern California Edison Company will file an application for a CPCN for the TRTP Plan of Service on June 29, 2007.

The Commission is committed to acting proactively to encourage the development of renewable resources, and specifically the development of needed renewable-related transmission projects.

Thus, while we now close this proceeding, we will soon open another proceeding to continue our work on facilitating the development of transmission lines needed to deliver power from renewable resources to California consumers.

Categorization and Hearings

This proceeding is categorized as quasi-legislative and it was contemplated that hearings would be required. Because matters were addressed in workshops rather than formal, evidentiary hearings, we alter our determination that hearings were required.

Comments on Proposed Decision

The proposed decision of the assigned Commissioner in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and Rule 14.2(a) of the Commission's Rules of Practice and Procedure. No comments were received.

Assignment of Proceeding

Dian M. Grueneich is the assigned Commissioner and Steven A. Weissman is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. We have met all of the top priorities set for this proceeding, and we have resolved or are in the process of resolving several of the additional issues identified by parties to the proceeding.

2. We will soon open another proceeding to continue our consideration of what the Commission can do to facilitate the development of transmission lines needed to deliver power from renewable resources to California consumers.

Conclusion of Law

Pursuant to Public Utilities Code Section 1701.5, it is reasonable to close this proceeding since the major issues have been resolved.

O R D E R

IT IS ORDERED that Investigation 05-09-005 is closed.

This order is effective today.

Dated June 7, 2007, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners