

Decision 01-03-077 March 27, 2001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into Implementation of Assembly Bill 970 regarding the identification of electric transmission and distribution constraints, actions to resolve those constraints, and related matters affecting the reliability of electric supply.

Investigation 00-11-001
(Filed November 2, 2000)

**INTERIM OPINION ON TRANSMISSION
UPGRADES NEEDED FOR SUMMER 2001 (PHASE 1)**

Summary

This decision complies with the requirements of Assembly Bill (AB) 970 to “identify and undertake those actions necessary to reduce or remove constraints on the state’s existing electrical transmission and distribution system, including, but not limited to, reconductoring of transmission lines, the addition of capacitors to increase voltage, the reinforcement of existing transmission capacity, and the installation of new transformer banks.” (Public Utilities Code Section 399.15(a)(1), added by AB 970 signed September 6, 2000.)

On the basis of comments and information presented in this proceeding, we direct the utilities to undertake thirty-one transmission projects to relieve system congestion by this summer in specified areas of the state. (See Table 2.) Twenty-seven are designed to relieve system congestion by this summer. They are currently in various stages of development. The utilities estimate the combined cost of these transmission projects to be approximately \$120 million.

The utilities should continue submitting monthly status reports on these projects until further notice.

Today's decision also identifies potential system constraints that need to be addressed for the 2002-2005 timeframe. We intend to explore these and other longer term transmission planning issues during Phase 2.

Background

On November 2, 2000, the California Public Utilities Commission (Commission) issued an Order Instituting Investigation, in which it articulated the following scope of inquiry:

“This investigation will determine the most cost-effective ways of easing transmission constraints and associated generation shortfalls both in the short term and the longer term. For some areas of the state, we will review the economic and siting tradeoffs between transmission upgrades and local generation. Commission staff will consult with the ISO on behalf of the Commission, as [Assembly Bill] AB 970 requires.” (OII, p. 4.)

“...this investigation also examines the prospects for utility acquisition of new peaking generation resources for summer 2001 and beyond.” (OII, p. 1.) The Commission will “identify whether there is a need for new power plants and whether” the Commission should “order regulated utilities to construct them or contract for them at prices that approximate costs. . . .In pursuing this and related options, we will consult with the state's Electricity Oversight Board...and the office of the AG as may be necessary.” (OII, pp. 5-6.)

Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E) and Southern California Edison Company (SCE), collectively referred to as “the utilities,” filed comments on these issues on November 22, 2000. California's Independent System Operator (ISO), Office of Ratepayer Advocates (ORA), Ridgetop, LLC (Ridgetop) and the City and County of San Francisco filed reply comments on December 20, 2000.

The Commission held a prehearing conference on December 14, 2000. At the Administrative Law Judge's direction, PG&E supplemented its filing on December 29, 2000 to address six transmission upgrades identified by Commission staff but not included in the November 22, 2000 filing. No party filed comments in response to PG&E's supplemental filing.

In their comments, the utilities and interested parties agree that the near-term focus of this proceeding should be to identify transmission constraints on the electrical system that can be addressed by summer, 2001. On the issue of needed generation resources, there appears to be consensus that continuing with the process being undertaken by the ISO is the only realistic option at this point in time for getting new peaking generation on line by next summer.

We conduct this proceeding in two phases. During Phase 1, which this decision addresses, the Commission has identified the transmission projects that can be put in place by summer 2001 to relieve system constraints. During Phase 2, the Commission intends to address longer-term transmission planning issues. The Commission may also revisit the issue of the appropriate role of the utility in the development of generation during Phase 2.

Discussion

Commission staff has obtained and evaluated data from the utilities and the ISO regarding transmission constraints and has reviewed the filings in this proceeding. Staff's report, "Relieving Transmission Constraints: An Overview In Response to AB 970," is presented in Attachment 1. Table 1 summarizes the system constraints and Table 2 presents staff's recommendations for transmission that can be implemented in 2001, with particular emphasis on projects to relieve system congestion by this summer.

As indicated in Table 1, staff concurs with the projects proposed by the utilities with one exception. PG&E is planning to add a new bank of capacitors

(which increase voltage and power flow under certain circumstances) to Martin Substation (Project #17), through which San Francisco's power flows. Staff further recommends that PG&E upgrade existing capacitors, which will increase the project's additional capacity by 50%, increasing still further PG&E's ability to raise both voltages and power deliveries.

Staff also recommends a line capacity monitoring system for the transmission link connecting the southern part of PG&E's territory to the rest of PG&E's transmission system. (Project #26.) This project was not mentioned in the ISO or PG&E filings, but is currently being tested by PG&E. Since the project gives the transmission operator real-time line capacity information and will reduce some of the economic constraints identified in the report, staff believes it should move forward for Summer, 2001. In addition, staff recommends two projects that would address constraints on the distribution system as new growth materializes in south San Jose and northeast of Fresno. (Projects #6 and #15.) As indicated in Table 2, these projects are recommended by the utilities, but are not on the ISO's list of approved projects.

Based on our review of the filings in this proceeding and staff's report, we find that the thirty-one transmission projects listed in Table 2 are high priority candidates for relieving transmission constraints on the electric system during 2001. We direct the utilities to proceed with these projects expeditiously. In particular, the twenty-seven projects designed to address summer congestion (see Table 2) should be completed no later than August 1, 2001. None of these projects require further Commission action with respect to environmental review or siting, based on the requirements (and authorized exemptions) to General Order 131-D. The utilities should continue submitting monthly status reports on these transmission projects and interconnections with new generation facilities until further notice.

The ISO recommends that the Commission also order the implementation of several Remedial Action Schemes (RASs), which will allow increased power flows on transmission lines for this summer. These RASs usually involve dropping load automatically, thus relieving overloads when a contingency occurs on the system, and therefore allows increased power flows in the absence of such contingencies. Staff's report did not address RASs, since it focused on the types of physical upgrades described in AB 970. Nothing in today's order is intended to preclude the ISO and utilities from identifying and implementing RASs, and potentially other remedial actions, to improve transmission access and the system's ability to meet electricity demands for summer, 2001. We direct the utilities to report progress on such remedial schemes in their monthly updates to the Commission.

In its report, staff identifies several longer-term transmission planning issues for Commission consideration, including the cost-effectiveness of options for improving transmission links between northern and southern California, strategies for addressing "reliability must run" constraints¹, and projects to address stability or overload problems expected in the 2002-2005 timeframe. We intend to explore these and other longer-term transmission planning issues during Phase 2.

Pub. Util. Code § 399.15 specifies that the Commission shall "include the reasonable costs involved. . . in the distribution revenue requirements of utilities regulated by the commission, as appropriate." Consistent with this language, we direct the electric utilities to increase their distribution revenue requirements,

¹ These constraints refer to ten groups of congested high or medium voltage transmission paths in California, each serving a load center, e.g., the transmission path bringing power imports into the Bay Area.

without modifying current rates, to reflect the costs of the upgrades authorized today by filing Advice Letters for this purpose. The Advice Letters should be filed within 30 days of the effective date of today's decision, and copies should be served on all appearances and the state service list in this proceeding.

Comments on Draft Decision

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Section (311(g)(1) of the Public Utilities Code and Rule 77.7 of the Rules of Practice and Procedure. Comments were filed on March 1, 2001 by the City and County of San Francisco, ISO, ORA, PG&E, Ridgetop, SCE and SDG&E. Based on those comments, we have made several editorial changes, clarifications and minor corrections to staff's report (Attachment 1). However, we do not make substantive changes to the recommendations contained in the staff report, with two exceptions. In light of comments by the ISO and SCE, it appears that the Victerville-Lugo upgrade (Project #31 in the draft decision) cannot be built by summer 2001, and may involve additional costs to the Los Angeles Department of Water and Power. In Addition, the Cortina-Colusa upgrade (Project #25 in the draft decision) will not be completed until 2002. As a result, we have removed them from the list of Phase 1 upgrades, but may consider them further during Phase 2. We also clarify that utilities are to file Advice Letters to increase their distribution revenue requirements, without modifying current rates, to reflect the costs of the upgrades authorized today, consistent with the language of AB 970.

Finding of Fact

The staff recommendations for transmission upgrades presented in Attachment 1, as summarized in Table 2, are reasonable and necessary improvements to the utilities' transmission systems.

Conclusions of Law

1. The transmission projects listed in Table 2 are high priority candidates for relieving transmission constraints on the electric system by summer, 2001. The utilities should proceed expeditiously with their implementation.
2. The utilities should continue submitting monthly status reports on these transmission projects as well as interconnections with new generation facilities.
3. In order to proceed with needed transmission upgrades as expeditiously as possible, this order should be effective today.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company, collectively referred to as “the utilities” shall develop the transmission projects recommended by staff and listed in Table 2.
2. The utilities shall file monthly status report on the transmission upgrade projects included in their filings and in Table 2. For each project, the report shall include information on the status of the notice of construction, if applicable, and the status of construction. The report shall also include information on whether a completed transmission upgrade project has resolved the transmission constraint it was intended to address. In addition, as discussed in this decision, the utilities shall report progress on remedial action schemes taken to improve transmission access and the system’s ability to meet electricity demands. With regard to the generation projects that are underway in response to the Independent System Operator’s solicitation, the monthly reports shall also include status information regarding the completion of interconnection studies and whether the projects involve utility-constructed facilities that would need to

come before the California Public Utilities Commission (Commission). The reports shall be filed with the Commission's Docket Office on the first of each month, and be served on all appearances and the state service list in this proceeding. The utilities shall continue this monthly reporting until December 31, 2001, unless otherwise directed by the Assigned Commissioner or Administrative Law Judge.

3. As discussed in this decision, the utilities shall increase their distribution revenue requirements, without modifying current rates, to reflect the costs of the upgrades authorized today by filing Advice Letters for this purpose. The Advice Letters shall be filed within 30 days of the effective date of today's decision, and copies shall be served on all appearances and the state service list in this proceeding.

This order is effective today.

Dated March 27, 2001, at San Francisco, California.

LORETTA M. LYNCH
President
HENRY M. DUQUE
RICHARD A. BILAS
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners

See Clayton Tang for Maps and Report

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