



California Public Utilities Commission

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News Release

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PUC ACTS TO STREAMLINE TRANSMISSION PLANNING

SAN FRANCISCO, January 22, 2004 – The California Public Utilities Commission (PUC) today moved to streamline the electricity transmission planning process for Investor Owned Utilities (IOUs) in recognition of industry, marketplace, and legislative changes and in accordance with the California Energy Action Plan. The proposed new electricity transmission planning process will eliminate existing inefficiencies by allowing the Commission to utilize the California Independent System Operator's (ISO) assessment of whether a project is required for economic reasons or to maintain or enhance system reliability.

"I look forward to working closely with all involved governmental entities, including the Governor and the ISO, to assure that needed improvements to the electricity transmission planning process are identified and approved on a timely and cost-effective basis to ensure consumer benefits," said PUC President Michael R. Peevey.

The Rulemaking opened today proposes changes to General Order (G.O.) 131-D to allow the Commission to utilize the ISO's assessment of whether a project is needed to improve system economics to the extent the ISO applies an agreed-upon methodology for making its determination. This approach to electricity transmission review will eliminate duplicative examination of the need for an electricity transmission project that currently exists between the ISO and the Commission, while at the same time upholding environmental standards, meeting the Commission's statutory obligations, and ensuring consumer benefits.

The Commission, therefore, asks the ISO to propose a standard for determining need for an electricity transmission project to maintain or enhance system reliability so that parties have the opportunity to comment. At the same time, the Commission will review transmission plans in the context of utility long-term resource plans.

The new framework for electricity transmission planning outlined in this Rulemaking is an improvement over historic practices and processes because it leverages existing expertise at the

Commission and the ISO, and facilitates an improved, streamlined, and more comprehensive approach toward electricity transmission planning.

Electric utilities are prohibited from constructing or expanding electricity transmission lines without first obtaining from the Commission a Certificate of Public Convenience and Necessity (CPCN). The process begins when a utility files an application and includes review of the project under the California Environmental Quality Act (CEQA). The ISO is responsible for ensuring the efficient use and reliable operation of the electric transmission grid. At present, the ISO is the first entity to review a proposed electricity transmission project. Once it finds a project needed and that project is sponsored by a utility, the utility then files an application for a CPCN at the Commission. The Commission reviews the need for the project, its impacts on utility capital structure and costs, ratepayer impacts, and performs CEQA review.

In May 2003, the PUC, the California Energy Resources Conservation and Development Commission (CEC), and the California Power and Conservation Financing Authority (CPA) adopted the Energy Action Plan. The EAP established shared goals and proposed specific actions to ensure that adequate, reliable, and reasonably priced electrical power and natural gas supplies are achieved and provided through policies, strategies, and actions that are cost-effective and environmentally sound for California's consumers and taxpayers. The EAP recognized the need to update and review current practices and processes for transmission planning in California.

The ISO will file and serve its proposed standard to determine whether a project is needed to maintain or enhance reliability and its comments on the proposed changes to G.O. 131-D within 25 days from today. Within 45 days from today, all other parties will file and serve comments on the ISO's proposed standards (or an alternative approach). Parties will file and serve responses to comments within 25 days of the date comments are filed. Once comments are received, the Assigned Commissioner will provide guidance with regard to the next steps. The Commission hopes to conclude this proceeding within 8 months.

For more information on the PUC, please visit www.cpuc.ca.gov.

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