

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

Conditional Application of PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) for a Certificate of Public Convenience and Necessity Authorizing the Construction of the Los Banos-Gates 500 kV Transmission Project.

Application 01-04-012

**ADMINISTRATIVE LAW JUDGE'S RULING
REGARDING HEARINGS ON THE PATH 15 EXPANSION PROJECT**

By ruling dated November 30, 2001 in Application (A.) 01-04-012, the Assigned Commissioner denied the motion of Pacific Gas and Electric Company (PG&E) to withdraw its application for a Certificate of Public Convenience and Necessity (CPCN) for the Los Banos-Gates 500 kilovolt (kV) Transmission Project, also known as the Path 15 expansion project. Since the filing of testimony in A.01-04-012, various public and private entities have executed a Memorandum of Understanding (MOU) to participate in a Path 15 expansion project. The Assigned Commissioner consolidated A.01-04-012 with the Commission's generic investigation of transmission constraints, Investigation (I.) 00-11-001, stating that:

“I.00-11-001 provides a logical forum to further explore the issue of project economics and to examine the allocation of benefits among project participants under the MOU development approach or a PG&E stand-alone project.... PG&E is currently a respondent to I.00-11-001 and matters surrounding the economics of transmission projects throughout the state are the subject of the investigation. Parties to A.01-04-012 should be prepared to discuss a schedule for supplemental testimony regarding the allocation of costs and benefits of the federal project at the December 19, 2001 prehearing conference already scheduled in I.00-11-001.... [T]he assigned Administrative Law Judge (ALJ) in I.00-11-001 will establish the scope and schedule for further consideration of the Path 15 expansion application, previously served testimony and supplemental testimony. “¹

A further prehearing conference (PHC) was held in this proceeding on December 19, 2001. PHC statements were submitted by the California Independent System Operator (CAISO), California Wind Energy Association, City and County of San Francisco, City of Palo Alto, Office of Ratepayer Advocates (ORA), Southern California Edison Company (SCE), PG&E and Ridgetop LLC (Ridgetop). We discussed several transmission projects at the start of the PHC, and interested parties met informally with Energy Division to explore them further and report on their status after the lunch hour. I established a schedule for evidentiary hearings for Path 15 and addressed procedures for moving ahead with the other transmission projects, as summarized below.

Path 15 Expansion Project

Evidentiary hearings on the Path 15 expansion project will be bifurcated into two phases. The first phase will examine the economics of the project, based

¹ Assigned Commissioner’s Ruling in I.00-11-001/A.01-04-012, November 30, 2001, p. 5.

on the testimony submitted to date and any supplemental testimony on project benefits. The second phase will address the allocation of both costs and benefits PG&E's ratepayers, based on the final MOU implementation agreements. Those agreements will finalize the governance structure, ownership percentages, coordinated operations, project work products, a more detailed definition of the project scope and the nature of ownership rights and responsibilities under the project. The target date for the completion of those agreements is mid-January. ²

During the week of February 25, 2001, we will hold evidentiary hearings to determine the plausible range of economic benefits from the Path 15 expansion project, on a stand-alone basis. This will form the basis of the "benefits side" of the equation for our evaluation of the benefits and costs to PG&E's ratepayers under the MOU arrangements.

The opening testimony served by PG&E and CAISO on September 25, 2001, will be subject to cross-examination during the February hearings, as will ORA's November 8, 2001 intervener testimony and CAISO's rebuttal testimony. PG&E's opening testimony focused on more fully describing the project and the expected costs to build the project. The CAISO testimony addressed the need for the project, finding the Path 15 expansion to be economic under certain scenarios.³ PG&E states that the MOU participants are still negotiating issues

² The MOU, however, is available at this time. As discussed at the PHC, PG&E shall file a copy of the MOU signed by all participants in this proceeding without further delay. Copies should be served on all appearances and the state service list in this proceeding.

³ PG&E stated at the PHC that the analysis of benefits of Path 15 has been made in the ISO's opening testimony and PG&E does not intend to add any testimony on this issue. However, as indicated in the schedule below, I have provided the opportunity for any interested party (including respondents) to submit additional testimony on Path 15 benefits before we begin evidentiary hearings.

that may alter the project scope and overall costs. Therefore, we will use the cost figures presented in PG&E's opening testimony (which were also used in the economic analysis presented in CAISO's opening testimony) as placeholders, until the MOU implementation agreements are finalized.

Schedule for Hearings on Path 15 Project Benefits

The schedule for the first set of hearings is as follows:

Additional Direct Testimony	January 25, 2002
Rebuttal Testimony to Additional Direct	February 8, 2002
Last Day to Submit Motions to Strike and Discovery Requests	February 15, 2002
List of Exhibits, Cross Estimates and Witness Availability (See Attachment)	February 18, 2002
Replies to Motions to Strike Due	February 21, 2002
Evidentiary Hearings(in San Francisco)	February 25-28 and March 1, 2002

Evidentiary hearings will begin on Monday, February 25, 2002 at **1:30 p.m.** For the rest of the week, hearings will begin at **9:00 a.m.**, and my intent is to end each of those hearings days at 1 p.m., without a lunch break. However, if we can reduce the total number of days of hearings by extending the day until 3:30 (with a lunch break), I may do so.

All discovery disputes should be directed to the Commission's Law and Motion Judge. I plan to rule on motions to strike on the first day of hearings based on the written filings. There will be no opportunity for oral argument. As I ruled at the PHC, ORA may file additional direct testimony on January 25 in response to CAISO's November 15, 2001 rebuttal testimony. The rebuttal

testimony due on February 8 will be admitted if (and only if) it rebuts the additional direct testimony served by parties on January 25, 2002.

Schedule for Hearings on Path 15 Cost and Benefit Allocation

Within three days from receipt of the signed MOU implementation agreements, PG&E will file and serve copies to the service list in this proceeding. At that time, I will establish by ruling a schedule for the filing of testimony and evidentiary hearings. As discussed at the PHC, I will establish an expedited timetable, but the exact dates will depend upon how close to the first set of evidentiary hearings we are at the time the MOU implementation agreements are finalized. I anticipate that PG&E will file supplemental testimony within 2-3 weeks from the date the MOU implementation agreements are final. That testimony will include updated total project costs and address both the direct and indirect cost allocation issues associated with PG&E's participation in the project. The direct allocation issues refer to the applicable tariffs that will be applied to bill costs to PG&E, whereas the indirect allocation issues refer to the manner in which the market may distribute the costs indirectly back to PG&E's ratepayers, as ORA suggests. The supplemental testimony will also address the manner in which project benefits will be allocated to PG&E's ratepayers. My expectation is that ORA and intervener testimony will be due approximately two weeks after PG&E's testimony is served.

Schedule for Briefs on Applicability of GO 131-D to Path 15

As discussed at the PHC, within two weeks (14 calendar days) from the date of filing the MOU implementation agreements, PG&E and interested parties should file briefs addressing the applicability of General Order (GO) 131-D to Path 15, in particular, whether PG&E is required to file an application for a Certificate of Public Convenience and Necessity (CPCN) for its participation in the project. Reply briefs are due five working days thereafter.

Path 26 Expansion Project

In its PHC comments, the CAISO submitted a summary of the status of its evaluation of short-term and long-term options to expand Path 26, and associated documents. However, since a representative of CAISO did not attend the PHC, I was unable to obtain responses to my questions concerning the timeframe for completion of the evaluation. At the first day of evidentiary hearings on Path 15, the CAISO should present an updated schedule for the completion of its short-term and long-term study plans for Path 26 expansion. The CAISO should file both studies in this proceeding and send a notice of availability to the service list, upon their completion.

Tehachapi Upgrade

Since the last PHC, SCE has met with Ridgetop and other wind developers and has sent a solicitation of interest to the various wind developers in the Tehachapi area. SCE has agreed to prepare a conceptual study which will include a preliminary estimate of transmission costs (including environmental mitigation), routing costs, substation costs, line licensing costs, and a preliminary evaluation of SCE's current inventory of property to assess existing rights for construction of the proposed project. SCE and the wind developers agree that it would be premature to hold hearings on this project in February 2002, since the study would not be completed until sometime that month. Between now and the next PHC in this proceeding, SCE and the wind developers will jointly describe the status of this project as part of SCE's monthly status reports. If there are any disagreements between SCE and wind developers regarding the manner in which this project is moving forward, they should so indicate in the joint description.

Path 45 Upgrade to 1200 MWs

By Decision (D.) 01-12-016, the Commission granted the motion of San Diego Gas & Electric Company (SDG&E) to remove conditions placed on its CPCN regarding the addition of a second circuit to the eastern leg of the transmission path between Mexico and Southern California, referred to as "Path 45". Adding a second circuit will increase Path 45 capacity from 800 to 1200 megawatts (MWs). SDG&E is participating in a study to examine generation development and other factors in order to determine whether the Path 45 upgrade is needed. SDG&E indicated at the PHC that the analysis will be completed towards the end of the first quarter of 2002. When the study is completed, SDG&E should file the study in this proceeding and serve a notice of its availability to the service list. SDG&E should include in the filing a statement as to what costs of the project, if any, will be borne by SDG&E ratepayers.

San Francisco-Peninsula Area

A stakeholder group continues to meet to discuss upgrades to the Jefferson-Martin 230 kV line that are needed for reliability reasons. The stakeholder group has submitted a report to the ISO that identifies several technical options for addressing the reliability issue, but identifies the Jefferson-Martin 230 kV line as the most promising project based on a number of criteria. The next step is for PG&E to finalize detailed cost estimates and present additional information that will be considered by the ISO Board. PG&E anticipates that it will submit a CPCN to the Commission for this project by September 2002. PG&E and the City and County of San Francisco agree that this is a very high priority project, but do not believe that this project would be ripe for evidentiary hearings at the Commission before the CPCN is filed.

PG&E and the City and County of San Francisco also agree that "Alternative 4" identified in the stakeholder group report is independent of the

Jefferson-Martin project, and should move forward without delay. Alternative 4 is the upgrade of the line between San Mateo and Martin from 60 to 115 kV. PG&E states that it has not yet determined the licensing requirements for this project, e.g., whether a permit to construct under General Order 131-D would be required. PG&E should report on the results of its meeting(s) with Energy Division on this issue in its monthly status reports.

Per the discussion at the PHC, it is my expectation that PG&E will meet with the City and County of San Francisco on a monthly basis to ensure that the developmental analysis for addressing San Francisco-Peninsula area transmission constraints is moving along. PG&E will also report on the status of these meetings in its monthly status reports.

Within five days from the date of this ruling, the City and County of San Francisco will file a copy of the October 19, 2000 stakeholder report referred to in its PHC comments, and serve a notice of its availability to the service list in this proceeding. As discussed at the PHC, PG&E will also file in this proceeding all additional documents regarding the Jefferson-Martin project submitted to the ISO and serve a notice of their availability to the service list in this proceeding.

Greater Bay Area

Recent studies indicate that transmission upgrades to address reliability problems in the Greater Bay Area will not be needed until 2010 due to lower than projected load growth. However, PG&E and stakeholders are undertaking additional studies to assess whether the project could be needed based on economic benefits. PG&E estimates that the economic analysis will be done during the first half of 2002. In any event, the project is not ripe for evidentiary hearings this February. When completed, PG&E should file the economic analysis in this proceeding, with a notice of its availability served on the service list.

Status of Economic Analysis RFP

At the PHC, SCE agreed to send me an update of the status and schedule for the completion of the CAISO's Request for Proposal (RFP) process to develop a methodology for the economic analysis of large transmission additions. SCE should send this information to me by letter, with copies to the service list, within five days from the date of this ruling.

Further Prehearing Conference

I plan to hold a further PHC in this proceeding in early May 2002, at which time I will identify the transmission projects to be evaluated in evidentiary hearings during the summer of 2002. However, any party may send a letter to me and the Assigned Commissioner before then if they believe one of the projects described in this ruling (or any other that may not have been discussed at the PHC) is ripe for evaluation in evidentiary hearings before the summer or requires further direction from me before the next PHC.

Continuation of Monthly Status Reports

By this ruling, I direct respondents to continue to submit the monthly status reports in this proceeding until December 31, 2002.

Procedures for Filing Documents, Serving Testimony and Other Preparations for Evidentiary Hearings

As directed in previous rulings, all testimony and filings in this proceeding should be served on the appearances and state service list for the consolidated service list by both electronic and US mail by the due date.⁴ Hard copies of all

⁴ Electronic versions of filings should be served by 6 p.m. on the date they are required to be filed. Although testimony and exhibits are not filed in the Commission Docket Office, I encourage parties to distribute those documents electronically as close as possible to the time they are placed in the mail.

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the documents requested in today's ruling should also be sent to Xuguang Leng at the Commission's Energy Division and to me at P.O. Box 210, Volcano, CA 95689.

Within five days from the date of this ruling, PG&E, ISO and ORA should serve on the consolidated service list in I.01-11-001/A.01-04-012 a notice of availability of their testimony that was previously served only on the service list in A.01-04-012.

Before filing pleadings or testimony in this proceeding, parties should make sure to obtain the most recent service list from the Commission's Process Office (and posted on the Commission's website). Electronic mail should be sent to me at meg@cpuc.ca.gov. Additional procedures for serving testimony and preparing exhibits are presented in the Attachment.

Dated December 28, 2001, at San Francisco, California.

/s/ MEG GOTTSTEIN by ANG
Meg Gottstein
Administrative Law Judge

ATTACHMENT
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PROCEDURES FOR SERVING TESTIMONY AND PREPARING EXHIBITS

1. Service of Exhibits

All prepared written testimony should be served via US mail and electronically on all appearances and state service on the service list, as well as on the Assigned Commissioner's office and on the Assigned ALJ. Parties are not obligated to adopt special procedures for serving e-mail addresses that do not work or are not provided on the service list. Parties should serve testimony electronically as close as possible to the time that the testimony is placed in the mail.

Prepared written testimony should NOT be filed with the Commission's Docket Office.

One copy of prepared written testimony should be sent to the Assigned ALJ electronically at meg@cpuc.ca.gov and a hard copy should also be sent to each of the following locations:

- 1) ALJ Meg Gottstein
CPUC, Room 5044
505 Van Ness Avenue
San Francisco, CA 94102

- 2) ALJ Meg Gottstein
PO Box 210
Volcano, CA 95689-0210
(for overnight delivery **only**: 21496 National Street, Volcano, CA 95689)

2. Identification of Exhibits in the Hearing Room

Each party sponsoring an exhibit should, in the hearing room, provide **one copy to the ALJ and one to the court reporter**, and have sufficient copies available for distribution to parties present in the hearing room. Exhibits shall comply with Rule 70 of the Commission's Rules of Practice and Procedure. **The upper right hand corner of the exhibit cover sheet should be blank for the ALJ's exhibit stamp.** Please note that this directive applies to cross-examination exhibits as well. If there is not sufficient room in the upper right hand corner for an exhibit stamp, please prepare a cover sheet for the cross-examination exhibit.

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3. Cross-examination With Exhibits

Any exhibit to be used for cross-examination purposes should be served in advance on counsel for the party to be cross-examined, or at worse, served on the day of hearings before they commence (service may need to be made electronically, by overnight mail or facsimile). This cuts the amount of hearing time spent on foundational matters. While some potential cross-examination exhibits may only come to the parties' attention after the hearing has started, and short notice may be necessary in some instances, the parties are strongly encouraged to cooperate in observing this suggested procedure and not to use "surprise" as a litigation strategy.

4. List of Exhibits, Estimates of Cross-Examination and Scheduling Constraints

Each party should provide the following information via US mail and electronic delivery to the assigned ALJ at the addresses listed above **no later than five (5) working days** prior to the start of evidentiary hearings:

- a. A list of exhibits that it intends to offer, in the approximate order they wish to have them introduced. The list should include the name of the witness and the subject or title of the document.
- b. An estimate of direct and cross-examination time that the party needs, broken down by party and by witness.
- c. A list of any schedule constraints affecting any of its witnesses.

Copies of this information should also be sent electronically to all appearances and the state service list in this proceeding. Service by US mail is optional.

5. Corrections to Exhibits

Generally, corrections to an exhibit should be made in advance and not orally from the witness stand. Corrections should be made in a timely manner by providing new exhibit pages on which corrections appear. The original text to be deleted should be lined out with the substitute or added text shown above or inserted. Each correction page should be marked with the word "revised" and the revision date.

Exhibit corrections will receive the same number as the original exhibit plus a letter to identify the correction. Corrections of exhibits with multiple sponsors will also be identified by chapter number. For example, Exhibit 5-3-B is the second correction made to Chapter 3 of Exhibit 5.

(END OF ATTACHMENT)

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CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail, to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge’s Ruling Regarding Hearings on The Path 15 Expansion Project on all parties of record in this proceeding or their attorneys of record.

Dated December 28, 2001, at San Francisco, California.

/s/ TERESITA C. GALLARDO
Teresita C. Gallardo

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission’s policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.

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