

Decision 12-02-036 February 16, 2012

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's own Motion to actively promote the development of transmission infrastructure to provide access to renewable energy resources for California.

Investigation 08-03-010
(Filed March 13, 2008)

Order Instituting Rulemaking on the Commission's own Motion to actively promote the development of transmission infrastructure to provide access to renewable energy resources for California.

Rulemaking 08-03-009
(Filed March 13, 2008)

DECISION IMPLEMENTING ASSEMBLY BILL 1954**Summary**

This decision implements Assembly Bill 1954 (Skinner) (Stats. 2010, ch. 460), which amended Public Utilities Code Section 399.2.5.¹ Specifically, this decision establishes requirements for: 1) advice letters filed under Section 399.2.5(c)(1), which allow investor-owned utilities to seek, and the Commission to determine, eligibility to recover some of the costs of constructing new transmission to facilitate the achievement of the renewables portfolio standard; and 2) advice letters submitted under Section 399.2.5(c)(2), which allow

¹ All further references are to the California Public Utilities Code, unless otherwise specified.

investor-owned utilities to seek cost recovery for costs incurred prior to permitting of a specific transmission project. Appendix A of this decision contains the adopted requirements relating to advice letter format, required showings in advice letters, and costs that may be included in advice letters. These proceedings are closed.

Background

Section 399.2.5 was enacted to promote California's use of renewable energy resources by assisting in efforts to ensure that California has the necessary transmission infrastructure in place to meet its renewables portfolio standard (RPS) goals. Subdivision (a) of the section states:

Notwithstanding Sections 1001 to 1013, inclusive, an application of an electrical corporation for a certificate authorizing the construction of new transmission facilities is necessary to the provision of electric service if the commission finds that the new facility is necessary to facilitate achievement of the renewables portfolio standard established in Article 16 (commencing with Section 399.11).

Generally, Section 399.2.5 provides "backstop" cost recovery mechanisms to allow utilities to recover through retail rates the costs of transmission facilities that are not approved by the Federal Energy Regulatory Commission (FERC) for recovery through transmission rates. This increased certainty of recovery allows utilities to proceed with the development of transmission facilities that are necessary to help attain RPS goals and that otherwise might be too risky due to the inherent uncertainty of renewable resource development.

Assembly Bill (AB) 1954 amended Section 399.2.5, effective January 1, 2011. The amendments added new paragraphs (c)(1) and (c)(2) to the statute, and these paragraphs further this same legislative intent to provide up-front assurance of Commission "backstop" cost recovery in retail rates for the early planning and

permitting work necessary to turn identified plans of service into actual transmission projects that help to achieve RPS goals.

As amended, Section 399.2.5(c)(1)² allows the Commission to approve an advice letter from an electrical corporation granting eligibility to seek cost recovery in retail rates for a transmission project, as long as the electrical corporation certifies in the advice letter that it expects the facility will be necessary for achievement of RPS goals. According to the statute, ultimate recovery of construction costs by the electrical corporation is contingent upon the Commission finding that the facility is necessary to achieve RPS goals and that costs were prudently incurred.

² Section 399.2.5(c)(1), as amended, states:

The commission, prior to making a finding pursuant to subdivision (a), may approve an advice letter from an electrical corporation seeking, for a specific transmission project, a finding of eligibility for cost recovery pursuant to paragraph (4) of subdivision (b), if the electrical corporation certifies in the advice letter, in a form prescribed by the commission, that it expects that the facility will be necessary to facilitate achievement of the renewables portfolio standard established pursuant to Article 16 (commencing with Section 399.11). The electrical corporation's ultimate recovery of construction costs shall be contingent upon the commission finding, pursuant to subdivision (a), that the facility is necessary to facilitate achievement of the renewables portfolio standard and that the costs were prudently incurred.

Similarly, Section 399.2.5(c)(2)³ provides that the Commission may approve an advice letter from an electrical corporation seeking retail rate cost recovery for costs incurring prior to permitting or certification for potential transmission facilities. Again, the electrical corporation must certify in the advice letter that it expects the facility will be necessary to achieve RPS goals, and the statute specifies that ultimate cost recovery is contingent upon the Commission finding that the electrical corporation administered the approved costs reasonably and prudently.

On November 9, 2010, the Administrative Law Judge (ALJ) issued a ruling requesting comments on four questions related to implementation of Section 399.2.5 as amended by AB 1954. The questions pertained to the format and showing required in the advice letters allowed by Section 399.2.5(c)(1) and (2), to the types of costs eligible for cost recovery, and to whether the Commission should place any limit on these costs. On December 6, 2010, comments were filed by the Commission's Division of Ratepayer Advocates (DRA), the Large-Scale Solar Association (LSA), Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego

³ Section 399.2.5(c)(2), as amended, states:

Prior to making a finding pursuant to subdivision (a), the commission may approve an advice letter from an electrical corporation requesting retail rate cost recovery for costs incurred prior to permitting or certification for potential transmission facilities if the electrical corporation certifies in the advice letter, in a form prescribed by the commission, that it expects that the facility will be necessary to facilitate achievement of the renewables portfolio standard established pursuant to Article 16 (commencing with Section 399.11). The electrical corporation's ultimate recovery of costs incurred prior to permitting or certification shall be contingent upon the commission finding that the electrical corporation administered the approved costs reasonably and prudently.

Gas & Electric Company (SDG&E). Reply comments were filed on December 20, 2010 by DRA, PG&E, and SDG&E.

This decision addresses these questions regarding implementation of AB 1954 in the sections that follow.

Advice Letter Format

The ALJ ruling asked parties to comment on the format for any advice letter under Section 399.2.5(c)(1) and (2).

DRA provided useful comments on the question of advice letter format. It proposes that if a utility seeks relief pursuant to Section 399.2.5(c)(2), the Commission should require the utility to file a Tier 2 advice letter to establish a memorandum account to track “costs incurred prior to permitting or certification.” When the utility seeks to recover the eligible costs tracked in the memorandum account, DRA proposes the Commission require the filing of a Tier 3 advice letter.

We find DRA’s proposals reasonable because they allow due process and an opportunity for comment prior to the Commission acting on the advice letters. We will specify the following formats for advice letter filings under Section 399.2.5(c)(1) and (2):

- Filings under Section 399.2.5(c)(1) that request a finding of eligibility for cost recovery shall be Tier 2 advice letters.
- Filings under Section 399.2.5(c)(2) that request authority to record pre-permitting costs in a memorandum account shall be Tier 3 advice letters.
- Filings under Section 399.2.5(c)(2) that request authority to recover costs incurred prior to permitting or certification that have been recorded in a previously established Commission-approved memorandum account shall be Tier 3 advice letters.

The Director of Energy Division is authorized to develop standardized formats required to be used in all such advice letters, submitted under Sections 399.2.5(c)(1) and (2).

This provides a logical sequence of advice letters under Section 399.2.5(c)(1) and (2). Of course, neither the Commission's approval of an advice letter seeking a determination of eligibility for cost recovery under Section 399.2.5(c)(1) nor the Commission's approval of an advice letter seeking permission to set up a memorandum account to record pre-permitting costs under Section 399.2.5(c)(1) will determine whether the Commission approves any subsequent advice letter pursuant to Section 399.2.5(c)(2) in which a utility seeks to recover pre-permitting costs that have been recorded in a previously approved memorandum account.

PG&E comments that only utilities with retail customers subject to rates authorized by the Commission can recover costs under Section 399.2.5. PG&E states that as a prerequisite, the Commission should specify that any entity seeking cost recovery under Section 399.2.5 must be a Commission-jurisdictional entity. We agree with PG&E and specify that entities filing an advice letter seeking cost recovery under Section 399.2.5(c)(1) and (2) must be a utility with retail customers subject to rates authorized by the Commission.

Advice Letter Required Showing

In addition to the format question, the ALJ ruling asked parties to comment on the required showing for a utility's certification in any advice letters under Section 399.2.5(c)(1) and (2) that the utility expects the facility will be necessary to facilitate achievement of RPS.

A few parties commented that little showing was required. For example, SDG&E comments that the Commission should not limit the flexibility of the

utility in the advice letter and it should suffice for the utility to state simply that “it expects the facility will be necessary to facilitate achievement of the RPS,” as long as the utility provides a sufficiently complete explanation of the basis for that expectation. The LSA recommends the Commission evaluate advice letters on a case-by-case basis, as long as the utilities support their advice letters with information relevant to at least one significant criterion relative to the existing “three-prong test” the Commission identified in Decision (D.) 07-03-012 to determine whether a transmission line is necessary to facilitate the achievement of the renewables portfolio standard.⁴ The LSA suggests the Commission consider further structure or guidance for the advice letters after the Commission and utilities develop experience with them.

SCE and PG&E both provided greater detail on guidelines for the advice letter showing. SCE echoes SDG&E’s comment that the specific showing may differ from project to project and the Commission need not adopt a standardized checklist of prerequisites for the showing. Nevertheless, SCE provides a list of numerous indicators that it claims the Commission could use to evaluate whether a project is necessary to achieve RPS goals, and any of these indicators alone would be sufficient to satisfy the showing required in the advice letter. SCE suggests these indicators include, but are not limited to:

⁴ In D.07-03-012, the Commission stated that in order to rely on Section 399.2.5 to establish the need for a project, “a proponent must demonstrate: (1) that a project would bring to the grid renewable generation that would otherwise remain unavailable; (2) that the area within the line’s reach would play a critical role in meeting the RPS goals; and (3) that the cost of the line is appropriately balanced against the certainty of the line’s contribution to economically rational RPS compliance.” (D.07-03-012 at 16.)

- Whether the transmission project is included in a Renewable Energy Transmission Initiative (RETI)⁵ report;
- Whether the transmission project is included in the statewide California Transmission Planning Group⁶ transmission plan;
- Whether there are pending generator interconnection requests through the California Independent System Operator (CAISO)⁷ that interconnect to or trigger the need for the transmission project; and
- Whether the renewable energy projects that propose to interconnect to the transmission project have power purchase agreements with any load serving entity.

In addition, SCE states that a declaration or affidavit detailing the utility's demonstration of its showing should be sufficient.

Similarly, PG&E recommends that the utility provide sufficient guarantees in the advice letter that it has performed due diligence and has a sufficient basis for its expectation that the proposed transmission project will be necessary to achieve RPS goals. The advice letter should describe the basis for the expectation, explain supporting studies, which may be submitted confidentially, and attach certification regarding the utility's expectation that the project will facilitate achievement of RPS goals.

According to PG&E, the showing should be required to include a determination by the relevant Regional Transmission Organization (RTO) or CAISO that the transmission project in question is reasonably likely to support the state's RPS goals, or an equivalent showing providing a similar level of certainty. PG&E asserts that either Category 1 or Category 2 approval by the

⁵ See www.energy.ca.gov/reti.

⁶ See www.ctpg.us.

⁷ See www.caiso.com.

CAISO under its Renewable Transmission Planning Process would satisfy this requirement, because the CAISO plan would be built upon evidence of actual competitive renewable projects to determine what transmission projects are needed to meet RPS goals. In cases where RTO/CAISO approval is still pending, the utility could provide equivalent assurances, such as that the project falls within either 1) a new high-voltage bulk-transfer transmission facility designed to service multiple RPS-eligible generators, or 2) a major new transmission project to manage the grid in light of the remote location and intermittent nature of certain renewable resources.

DRA offers yet a different approach. It also recommends the Commission use the three-prong test adopted in D.07-03-012 as a starting point for the required showing, although DRA proposes modifications to the existing language of the three-prong test. DRA contends its suggested modifications will improve the usefulness of the utility's showing that a project will be necessary to facilitate achievement of the RPS. Specifically, DRA suggests the first prong be amended to specify the project will bring renewable generation that would otherwise be undeliverable to the grid. For the second prong, DRA suggests additional language to specify the area within the proposed transmission line's reach is in a competitive renewable energy zone (CREZ) or area that has been vetted through RETI, or a similar stakeholder process. For the third prong, DRA proposes language modification to specify that the cost of the line be compared to the alternative cost of RPS compliance under the scenario where the line is not constructed. DRA suggests the Commission require the advice letter filing to include an attestation by an officer at the vice president level or higher.

We will adopt a combination of the items suggested by SCE and PG&E as part of a standardized checklist that the utility should use to prepare its advice

letter showing that supports the utility's reasonable expectation that the proposed facility will be necessary to facilitate achievement of RPS goals. To support the utility's reasonable expectation, the advice letter should contain publicly available evidence and a supporting declaration by a utility officer at the vice president level or higher of at least one item from the following checklist:

1. A determination by an RTO or CAISO that the transmission project in question is reasonably likely to support the state's RPS goals, pursuant to a transmission planning process that is fully compliant with FERC Order 890. For CAISO, evidence would include Category 1 or 2 approval in CAISO's Transmission Planning Process; OR
2. Evidence that the proposed facility runs through one or more RETI-identified CREZs, or a Renewable Energy Study Area identified by the Desert Renewable Energy Conservation Plan, or has one terminus in such a preferred area. Evidence would include maps of the proposed transmission project and the most recent relevant information from RETI or the Desert Renewable Energy Conservation Plan, including the generation potential and economic and environmental information for the relevant area; OR
3. Evidence the facility would be a new 200 kilovolt or larger transmission facility, whether network or generation intertie, designed to serve multiple RPS-eligible generators. Evidence would be at least two generator interconnection agreements either executed or tendered by the transmission owner to developers of RPS-eligible technology that identify a need for the transmission project.

The Director of Energy Division is authorized to develop standardized formats and documentation requirements for these showings.

We decline to adopt the DRA proposal to use the three-prong test with modifications. This test was developed to evaluate the merits of an application for a certificate of public convenience and necessity (CPCN) for authority to

construct a transmission project. We agree with PG&E that the applicable standard is not whether the project is necessary but whether the utility has a reasonable expectation that the facility will be necessary to facilitate the achievement of RPS goals.

The Commission is not making the final need determination for the project or authorizing the utility to proceed with construction under Section 399.2.5(c)(1) and (2) through these advice letters. Rather, as PG&E explains, the Commission is evaluating whether the project is eligible for cost recovery subject to a future need determination. The statute specifically distinguishes a Commission finding under Section 399.2.5(c)(1) or (2) that a utility has a reasonable *expectation* that a facility will be needed from a finding of *actual need* under Section 399.2.5(a). The initial finding of an expectation under Section 399.2.5(c)(1) or (2) is distinct from and does not bear on a later need determination in CPCN proceedings. Moreover, we agree with SDG&E that use of the three-prong test in this advice letter context would impose more requirements than the statute requires.

Eligible Costs and Cost Cap

The ALJ Ruling requested that parties comment on what types of costs incurred prior to permitting or certification should be eligible for approval of cost recovery pursuant to Section 399.2.5(c)(2), and what types costs should not be eligible. Further, the ruling asked whether the Commission should place limits on the amount of pre-permitting and pre-certification costs for which recovery is sought.

PG&E and SCE provide similar comments that the Commission should provide up-front assurance that it will allow recovery of *any* reasonable and prudent cost incurred prior to obtaining a permit or certificate, even if the studies or permit process result in a determination that the project should not be

constructed. They provide examples of these costs as including, but not limited to, pre-construction development costs, pre-siting planning and feasibility studies, preparation of permit applications, environmental and engineering studies, programmatic mitigation efforts, and public or agency outreach.

SDG&E echoes these comments, adding that costs might include public outreach and media, California Environmental Quality Act, environmental and engineering studies, abandoned facilities, applicable overheads and consultant expenses. SDG&E adds that all costs for pre-permitting and pre-construction activities for eligible facilities not otherwise recoverable through FERC-jurisdictional transmission rates should be considered in the advice letter and tracked in a memorandum account pending final recovery.

In contrast to the utilities, DRA suggests limits on the cost eligible for recovery. While DRA generally agrees with PG&E's list of eligible costs, DRA proposes that costs should be limited to direct, project-specific costs for items such as feasibility studies, legal and consulting services, and project engineering incurred prior to permitting or certification. DRA contends costs should not include construction and capital costs, or costs for long lead time equipment and abandoned plant. According to DRA, construction costs, either capital or expense, should not be eligible for recovery pursuant to Section 399.2.5(c)(2) because these costs should be included in the cost estimate contained in the utility's application for a CPCN or Permit to Construct (PTC) for the project. DRA maintains that once a utility files a CPCN or PTC application, the period defined as "prior to permitting or certification" is closed, and any costs incurred after an application is filed should be covered by the cost estimate for the project in the application or by regulatory expenses in the utility's generate rate case. Moreover, DRA states that construction and capital costs are eligible for backstop

cost recovery to the extent they are not recoverable through FERC jurisdictional rates, through the provisions of Section 399.2.5(b)(4).

PG&E and SDG&E disagree with the limits proposed by DRA, stating that DRA's proposal runs counter to the statute's intent to facilitate the achievement of RPS goals. PG&E contends that costs incurred prior to permitting or certification are subject to uncertainty, can be substantial, and there is no basis to disallow their recovery simply because an application has been filed.

The parties have provided useful and informative comments on eligible costs. We will specify that for purposes of advice letters under Section 399.2.5(c)(2), pre-permitting and pre-certification costs shall be defined as costs incurred before any application related to the transmission project is disposed of, whether through a Commission decision approving or denying the line, utility withdrawal of the application, or another action. This will allow recovery of costs that may be incurred even after an application for a CPCN or PTC has been filed. Further, we will allow recovery of costs even if the project is not ultimately approved. We also clarify that only those costs that are not already accounted for in a FERC transmission rate case, a general rate case at this Commission, or other filing may be recorded and recovered under Section 399.2.5(c)(2).

We find that costs in the following categories should be eligible for recovery; other costs are not eligible for recovery under Section 399.2.5(c)(2):

- Costs associated with identifying the need and/or best location for the transmission facility including environmental studies; engineering studies; and public outreach necessary for the preparation of permit applications;
- Costs related to preparation of local, state, and federal permit applications, including a Proponent's Environmental Assessment as required by Commission Rule 2.4(b);

- Costs associated with cancellation of long lead-time equipment purchases, such as transformers.

We allow only cancellation costs for long lead-time equipment because we agree with DRA that capital costs associated with the actual purchase of equipment should not be included as eligible. We also agree with DRA that we will not allow recovery of construction-related costs, other than long lead time equipment cancellation costs, because construction costs should not be incurred until after a permit has been obtained from the Commission. In accordance with Section 399.2.5(d), only costs that are not approved for recovery in transmission rates by FERC may be recovered using the advice letter procedures set out in this decision.

Only transmission projects, including substation upgrades, are eligible for cost recovery under this section. The costs of non-transmission projects to integrate renewables, such as flexible generation or electric storage, are not eligible for recovery under Section 399.2.5(c)(2).

Finally, all parties opposed the suggestion of a pre-determined limit on costs. DRA notes that while it supports restrictions on the types of costs eligible for recovery, it opposes any pre-set cost limit. According to DRA and LSA, any limit would be arbitrary due to the unique nature of each transmission project. LSA asserts that cost limits will run counter to the law's intent to promote prompt transmission development to support RPS goals. Similarly, the utilities oppose limits on the types or magnitude of costs that may be recovered, stating this would be contrary to the intent of the statute and counterproductive. SDG&E maintains that cost limits are not dictated by the statute and such costs can vary greatly for these facilities. PG&E states that advance assurance of cost recovery is critical to allow the utilities to invest in developing the transmission

lines needed for renewables. SCE and PG&E claim there is no need for additional cost limitations, since actual cost recovery is limited to those costs that the Commission finds prudent and reasonable.

We agree. Since costs will vary by project, there should be no pre-set limit on the total amount of costs that a utility may request permission to record and recover in an advice letter under Section 399.2.5(c)(2). Because Section 399.2.5(c)(2) states the utility's ultimate recovery of any costs is "contingent upon the Commission finding that the utility administered the approved costs reasonably and prudently," a limit is unnecessary. Nevertheless, we will require any advice letter requesting cost recovery pursuant to Section 399.2.5(c)(2) to include a detailed estimate of expenditures, by type or category of cost.

The Director of Energy Division is authorized to develop standardized formats required for the presentation of cost estimates in advice letters.

Since the utility's showing in the advice letter will be the basis for the Commission's backstop cost recovery finding, it is reasonable to require that the utility provide with the advice letter a declaration by a utility officer at the vice president level or higher that demonstrates more than pro forma "information and belief." The declaration should include that, if the declarant does not have personal knowledge related to the information in the advice letter, the declarant has made reasonable inquiry of the person or persons responsible for compiling the information and on that basis believes the information to be true.

Closure of Proceedings

This decision closes these proceedings. Since the issuance of this proceeding and the Scoping Memo and Ruling of Assigned Commissioner (Scoping Memo) (January 12, 2010), there have been many significant

developments with respect to transmission to support California's RPS goals. These developments include, but are hardly limited to, the completion of the RETI Phase 2B Final Report;⁸ the creation of the California Transmission Planning Group;⁹ and CAISO's revision to its transmission planning process to incorporate planning for transmission supporting renewable generation.¹⁰ The issues identified in the Scoping Memo will need to be revisited in light of these significant changes in transmission planning. It will be more efficient, and will provide the Commission with more useful information, to close this proceeding and institute a new proceeding in 2012 that will be informed by the most recent developments in this rapidly changing area.

Comments on Proposed Decision

The proposed decision in this matter was mailed to the parties in accordance with Section 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Clean Coalition filed comments on February 7, 2012.¹¹ SDG&E filed reply comments on February 13, 2012.

Clean Coalition supports the PD but requests substantial revision to the third of the three types of evidence to support a utility's advice letter showing that the utility reasonably expects that a transmission project will be necessary to facilitate achievement of RPS goals. Clean Coalition proposes that a utility must

⁸ This report may be found at <http://www.energy.ca.gov/2010publications/RETI-1000-2010-002/RETI-1000-2010-002-F.PDF>.

⁹ Information on CTPG may be found at <http://www.ctpg.us>.

¹⁰ See, e.g., <http://www.caiso.com/2793/2793ad662d310.pdf>.

¹¹ Clean Coalition's Motion for Party Status was filed February 8, 2012. It was granted February 10, 2012.

show that the net cost of the transmission project is not “expected to exceed that required to meet 200% of the RPS net short as identified in RETI 2010 and subsequent updates.”¹² As SDG&E points out, this suggestion does not identify any errors in the proposed decision; rather, it proposes a new policy that was not presented or discussed in the record on which the PD is based. Moreover, on its own merits, Clean Coalition’s proposal is not appropriate for an advice letter. The proposal requires a utility’s showing in its advice letter to contain at least two elements that are potentially contestable facts: the “net cost” of a project and the “RPS net short.” Further, as SDG&E notes, Clean Coalition’s proposed requirement that utilities use “RETI 2010 and subsequent updates” as the basis of their calculation does not take into account that there is no timetable for updates to RETI’s 2010 work. Clean Coalition’s proposed changes to the PD are therefore not adopted.

Minor revisions have been made in the PD to improve clarity and consistency.

Assignment of Proceeding

Mark J. Ferron is the assigned Commissioner and Anne E. Simon is the assigned ALJ in these proceedings.

Findings of Fact

1. Section 399.2.5, as amended, provides backstop cost recovery for transmission infrastructure costs necessary to attain RPS goals.
2. The Commission may approve advice letters under Section 399.2.5.(c)(1) and (c)(2) to grant eligibility to seek cost recovery for transmission projects or to

¹² Comments at 4.

grant cost recovery for costs incurred prior to permitting or certification of transmission facilities, as long as the electrical corporation certifies that it expects the facility will be necessary for achievement of RPS goals.

3. In advice letters under Section 399.2.5.(c)(1) and (c)(2), the Commission is not making the final need determination for the project or authorizing the utility to proceed with construction, but evaluating whether the project is eligible for cost recovery subject to future need determination.

Conclusions of Law

1. The Commission should adopt the advice letter format described in Appendix A and limit advice letters to electric utilities with retail customers subject to rates authorized by the Commission.

2. Advice letters under Section 399.2.5(c)(1) and (2) should contain evidence and supporting declarations by utility officers at the vice president level or higher as described in this decision and set forth in Appendix A.

3. For advice letters under Section 399.2.5(c)(2), pre-permitting and pre-certification costs should be defined as costs incurred before any application related to the transmission project is disposed of, and may include costs incurred even if the project is not ultimately approved. There should be no pre-set limit on the total amount of costs that a utility may request permission to record.

4. For advice letters under Section 399.2.5(c)(2), eligible costs should be defined as set forth in Appendix A and costs may not be included if they are already accounted for in a FERC transmission rate case, a general rate case at this Commission, or other filing.

5. Any advice letter requesting cost recovery pursuant to Section 399.2.5(c)(2) should include a detailed estimate of expenditures, by type or category of cost

and be supported by a declaration by a utility officer at the vice president level or higher.

6. The Director of Energy Division should be authorized to develop standardized formats for the advice letters authorized by this decision, and to require any information and documentation necessary to support the requests made in the advice letters. Any such formats or requirements shall be mandatory for advice letters submitted under Sections 399.2.5(c)(1) and (2).

7. In order to facilitate prudent planning for transmission, this decision should be effective immediately.

O R D E R

IT IS ORDERED that:

1. Electric utilities with retail customers subject to rates authorized by the Commission may submit advice letters under Public Utilities Code Section 399.2.5(c)(1) and (2), subject to the requirements in Appendix A of this decision.

2. The Director of Energy Division is authorized to develop standardized formats for the advice letters authorized by this decision, and to require any information and documentation necessary to support the requests made in the advice letters. The utilities shall follow any formats or other documentation requirements specified by the Director of Energy Division in all advice letters submitted pursuant to this decision.

3. Investigation 08-03-010 and Rulemaking 08-03-009 are closed.

This order is effective today.

Dated February 16, 2012, at San Francisco, California.

MICHAEL R. PEEVEY

President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

Commissioners

Appendix A
Requirements for Advice Letters Submitted Under
Pub. Util. Code Section 399.2.5(c)(1) and (2)

General

Advice letters submitted to the Commission under Pub. Util. Code §§ 399.2.5(c)(1) and (2) should adhere to the requirements set forth in this document. The Director of Energy Division is authorized to develop standardized formats for these advice letters and to require any information and documentation necessary to support the requests made in the advice letters.

Format and Showing

Advice letters shall adhere to the following format:

- a) Filings under Section 399.2.5(c)(1) that request a finding of eligibility for cost recovery shall be Tier 2 advice letters.
- b) Filings under Section 399.2.5(c)(2) that request authority to record pre-permitting costs in a memorandum account shall be Tier 3 advice letters.
- c) Filings under Section 399.2.5(c)(2) that request authority to recover costs incurred prior to permitting or certification that have been recorded in a previously established Commission-approved memorandum account shall be Tier 3 advice letters.

Advice letters shall contain evidence and supporting declarations by a utility officer at the vice president level or higher of at least one item from the following list:

- a) A determination by a Regional Transmission Organization or the California Independent System Operator (CAISO) that the transmission project in question is reasonably likely to support the state's Renewables Portfolio Standard (RPS) goals, pursuant to a transmission planning process that is fully compliant with Federal Energy Regulatory Commission's Order 890. For CAISO, evidence would include Category 1 or 2 approval in CAISO Transmission Planning Process; OR
- b) Evidence that the proposed facility runs through one or more Renewable Energy Transmission Initiative (RETI)-identified competitive renewable energy zones (CREZs) or a Renewable Energy

Study Area identified by the Desert Renewable Energy Conservation Plan, or has one terminus in such a preferred area. Evidence would include maps of the proposed transmission project and the most recent relevant information from RETI or the Desert Renewable Energy Conservation Plan, including the generation potential and economic and environmental information for the relevant area; OR

- c) Evidence the facility would be a new 200 kilovolt or larger transmission facility, whether network or generation intertie designed to serve multiple RPS-eligible generators. Evidence would be at least two generator interconnection agreements either executed or tendered by the transmission owner to developers of RPS-eligible technology that identify a need for the transmission project.

Eligible Costs

For advice letters under Section 399.2.5(c)(2), eligible costs shall be defined as follows:

- d) Costs associated with identifying the need and/or best location for the transmission facility including environmental studies; engineering studies; and public outreach necessary for the preparation of permit applications;
- e) Costs related to preparation of local, state, and federal permit applications, including a Proponent's Environmental Assessment as required by Commission Rule 2.4(b);
- f) Costs associated with cancellation of long lead-time equipment purchases, such as transformers.

Any advice letter requesting cost recovery pursuant to Section 399.2.5(c)(2) should include a detailed estimate of expenditures, by type or category of cost, and be supported by a declaration by a utility officer at the vice president level or higher.

(End of Appendix)