

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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I. Introduction

DATC Path 15 (“DATC”) provides the following comments on the 2013 -2014 Transmission Planning Process Stakeholder Meeting held on November 20th and 21st, 2013. DATC and its two parent entities, Duke Energy and American Transmission Company, have substantial experience and expertise in electric transmission from their many decades of ownership and operation of major transmission facilities in several other states. In California, DATC owns 72 percent of the transmission service rights to the Path 15 transmission project, an 84 mile, 500 kV transmission line in Central California. Path 15 is one of the 500 kV lines in CAISO’s system that provides significant economic and reliability benefits statewide. The purpose of these comments is to request the CAISO’s consideration of expanding the 500 kV system in a portion of Central California allowing for California to build upon the successes of the Path 15 Upgrade Project.

Right now, there is a unique and fleeting opportunity for a third 500 kV line between Tracy-Tesla and Los Banos substations that would provide significant policy, economic and reliability benefits to the CAISO and to all of California and the WECC electric grid. The Western Area Power Administration (“Western”) is evaluating potential transmission projects that would serve a portion of the Central Valley Project (“CVP”). On November 22, 2013, Western issued a Federal Register Notice for a 62 mile 230 kV transmission project between Western’s Tracy and San Luis Substations (hereinafter “San Luis Transmission Project”).¹ Importantly, Western indicates that they are willing to consider other transmission construction options, including 500 kV transmission line alternatives.

As discussed below, the 500 kV Alternative would allow the CAISO to address a weak link in the 500 kV backbone of the CAISO grid (i.e., between Tracy-Tesla and Los Banos). If the CAISO seizes this opportunity to “right-size” the Western San Luis Project to the 500 kV

¹ See Western Area Power Administration, Notice of Intent to Prepare an Environmental Impact Statement for the San Luis Transmission Project, Alameda, Merced, San Joaquin and Stanislaus Counties, California (DOE/EIS-0496), 78 Fed. Reg. 226 (November 22, 2013).

Alternative now, then California will improve the transfer capability between Southern California and the Bay Area. The project would yield significant reliability, economic and policy benefits both regionally and statewide at a reasonable cost. On the other hand, if the San Luis Transmission Project is built as a 230 kV project, future electric transmission projects in this corridor will be far more costly or potentially infeasible. Thus, the CAISO should take advantage of this narrow window by evaluating the ability of the 500-kV Alternative to address multiple reliability, economic and policy issues that exist within the 10-year planning period.

II. Discussion

A. Western Will Study a 500 kV Alternative to the 230 kV “San Luis Transmission Project”.

On November 22, 2013, Western initiated an environmental review to construct a 230 or 500 kV transmission line in central California.² The Western Project would serve the Bureau of Reclamation’s primary San Luis Unit pumping facilities in the Los Banos area. At a minimum, the San Luis Transmission Project would consist of a new 230 kV transmission line (about 62 miles in length) between Western’s Tracy Substation and Western’s San Luis Substation, and a new 70 kV transmission line (about 5 miles in length) between the San Luis and O’Neill Substations.³ According to Western’s Federal Register Notice, “Western also will consider other transmission options including: a new 500 kV transmission line about 62 miles in length operated at 230 kV between Western’s Tracy and San Luis Substations [and] a new 500 kV transmission line operated at 500 kV about 62 miles in length between the Tracy Substation and PG&E’s Los Banos Substation. . .” The Project will result in significant cost savings for water users and thus has significant support from the federal government.

The CAISO should take advantage of this opportunity by studying the San Luis Transmission Project. It is not clear whether the 230 kV or 500 kV Alternative to the San Luis Transmission Project have already been considered by the CAISO in the development of the 2013-2014 Conceptual Statewide Transmission Plan. Thus, in addition to addressing the 500 kV Alternative in the 2013 – 2014 Draft Transmission Plan, DATC also requests that the CAISO clarify whether the 230 kV San Luis Transmission Project was included in the CAISO’s economic and reliability models used to produce the preliminary study plan results.

B. The Cost Of The 500 kV Alternative To the San Luis Transmission Project Is Reasonable.

The 500 kV Alternative is a “low hanging fruit” option for California’s transmission ratepayers. By supporting this Alternative now, the CAISO would avoid significant costs and siting challenges in the future when the CAISO commits to improve the transfer capability

² *Id.*; see also, “San Luis Transmission Project website, available at: <http://www.sltpcis-eir.com/>

³ 78 Fed. Reg. 226.

between Southern California and the Bay Area. The easements for a 500 kV project will be far easier to acquire in one attempt and during the environmental review process for a Project with federal support. Easements for the San Luis Transmission Project will likely adjoin current easements for transmission lines. Waiting to build a new 500 kV project would be far more expensive due to the need for new easements and the unique siting and permitting challenges in California. Put simply, “right-sizing” the San Luis Transmission Project today would allow for more efficient use of an already-planned right of way.⁴

“Right-sizing” this project today will also result in economies of scale. If the CAISO delays upgrading the Tracy/Tesla-Los Banos corridor, it would need to replace the towers, expand the right of way, initiate a new environmental review process and obtain new permits. In addition, upgrading the San Luis Transmission Project down the road may not have the same federal support it does now. Thus, it makes far more sense to “right-size” the Western project to 500 kV now than to try to upgrade it later or to build a new 500 kV line altogether.

C. The 500 kV Alternative Will Yield Significant Benefits for California’s Transmission Ratepayers by Addressing Multiple Issues that Exist Within the Ten Year Planning Horizon.

The 500 kV Alternative will provide substantial benefits to California’s transmission ratepayers. First, the 500 kV Alternative would provide state-wide reliability benefits. The 500-kV system (which consists of only two lines between the Tracy/Tesla area and Los Banos) is a weak link in the 500 kV backbone system in Northern California. All of the remaining transmission corridors in Northern California have three 500 kV lines. The relative weakness of this link has resulted in various remedial action schemes and operating procedures specifically intended to address the reliability weakness of the corridor. Upgrading the Western Project to 500 kV will enable review and likely reduction or elimination of these procedures to reflect the enhanced reliability and system transfer capability between Southern California and the Bay Area.

Other WECC reliability procedures, while not specifically tied to this corridor, are also likely to benefit. For example, the N-2 conditions can currently trigger curtailments on the inter-regional transfers between California and the Pacific Northwest. Adding a 500 kV line on this corridor will increase the reliability of the WECC grid and reduce the potential for future curtailments. In other words, supporting the 500 kV Alternative would yield statewide reliability benefits—not just local reliability.

Second, DATC is confident that the 500 kV Alternative would provide economic benefits both within the 10 year planning period and in the longer term. While we have not yet completed an economic benefits analysis for the 500 kV Alternative, given the limitations in Tracy/Tesla-Los Banos corridor, it is clear that electric customers would benefit from the 500 kV Alternative. Moreover, as noted above, “right-sizing” the San Luis Transmission Project will result in significant economies of scale, saving transmission ratepayers significant costs in the longer term as load continues to grow in both the Bay Area and Southern California.

⁴ See map of San Luis Transmission Project, available at: <http://www.sltpcis-eir.com/Project%20Overview.pdf>

Third, the 500 kV Alternative will further California's Renewable Portfolio Standard and Greenhouse Gas policy objectives by enabling greater transmission capacity for wind and solar projects. In particular, the 500 kV Alternative will better enable the delivery of wind energy from the Tehachapi region and solar energy from projects in the San Joaquin Valley to serve load in the Bay Area.

Finally, the San Luis Transmission Project would help levelize water rates and promote economic growth in one of the state's poorest regions. Since 1965, PG&E has provided transmission service between the Tracy Substation and the San Luis Unit of the Central Valley Project over PG&E's transmission lines, the contract expires in 2016.⁵ PG&E indicated that service is available from the CAISO, but that would increase costs to the water users. According to the United States Bureau of Reclamation, the San Luis Transmission Project will "avoid an estimated \$8 million per year in added annual transmission service costs, which would increase water costs for California farmers and agricultural consumers."⁶ Thus, the San Luis Transmission Project will enable Western to provide power at a consistent rate over the life of the Project, creating additional economic benefits for Central Valley farmers and residents.

III. Conclusion

The 500 kV Alternative to the San Luis Transmission Project is a new and fleeting opportunity. DATC as the owner of the Path 15 Upgrade, has recently engaged upon this unique opportunity for California, and we have initiated our own economic and technical studies. The corridor between the Tracy/Tesla area and Los Banos is a weak link in the 500 kV backbone of the CAISO grid, and there is an opportunity to address this issue at a reasonable cost to California's Transmission Ratepayers. As such this is an opportunity that the CAISO should evaluate. By taking advantage of an existing environmental review process and planned transmission rights of way, the CAISO will improve the transfer capability between Southern California and the Bay Area, provide for transfer capability for additional renewable energy projects and improve state-wide reliability.

The CAISO should seize this fleeting opportunity to obtain the benefits from a new 500 kV project in the Central Valley by addressing those benefits in the CAISO's 2013 – 2014 Draft Transmission Plan. DATC also requests that the CAISO clarify whether the 230 kV version of the San Luis Transmission Project was contemplated in the Conceptual Transmission Plan released earlier this year. DATC appreciates the opportunity to provide these comments and looks forward to working closely with the CAISO, Western, and other stakeholders on this important opportunity.

⁵ See 78 Fed. Reg. 226.

⁶ See 78 Fed Reg 226; *see also San Luis Transmission Project Fact Sheet*, available at: http://www.sltpeis-eir.com/FACT%20SHEET_FINAL.pdf