

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

**Application of San Diego Gas & Electric)
Company (U902 E) for Authority to Enter into)
Purchase Power Tolling Agreements with)
Escondido Energy Center, Pio Pico Energy)
Center and Quail Brush Power)**

A.11-05-023

**REPLY BRIEF OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION**

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I. Introduction

In this proceeding, the Commission will decide: 1) whether new generation resources are needed in the San Diego local capacity area to replace existing generation that may retire or come offline to repower due to the state's once through cooling (OTC) requirements; and 2) whether the three purchase power tolling agreements (PPTAs) submitted by SDG&E provide sufficient capacity to meet these needs and should be approved. The parties to this proceeding have diverse opinions on these topics, but there seems to be general agreement that the OTC requirements will impact resource needs in some way and at some time over the next 10 years.

To the California Independent System Operator (ISO), the combined impact of the OTC requirements and the influx of renewable generation coming on to the system to meet the state's 33% RPS directives presents unprecedented transmission planning and operational challenges. Rather than merely planning for incremental resource additions or transmission upgrades needed for retirements and load growth, the ISO is now faced

with the prospect that substantial portions of its existing fleet will be replaced by 2021. To prepare for these changes, the ISO, in coordination with this Commission and the California Energy Commission (CEC), conducted the 10 year OTC study introduced for consideration in this proceeding. Although other parties presented recommendations about resources needed in the San Diego area, only the ISO tested the reliability of the transmission grid using the electric industry study tools- power flow and stability analysis- needed for compliance with NERC and WECC reliability standards. The ISO's study evaluated local area needs under four renewable portfolio scenarios developed by the Commission for the ISO's transmission planning process, using the CEC's load forecast and the local capacity requirements (LCR) study methodology considered and approved each year in the Commission's resource adequacy (RA) proceedings.

In addition to the ISO, opening briefs were submitted by SDG&E, DRA, CEJA, ARem/WPTF/DACC, UCAN, NRG and NRDC. For the most part, the intervening parties have focused their criticism of the ISO's OTC study results on the issue of whether the ISO should have included uncommitted energy efficiency (EE), uncommitted demand response (DR), uncommitted combined heat and power (CHP) and energy storage beyond the levels included in the CEC forecast. CEJA and DRA also challenged the ISO's study methodology. In an effort to simplify the issues under consideration, this reply brief will address the CEJA and DRA opening briefs.

II. Argument

A. The ISO's OTC Study is Consistent with California's Loading Order and Renewable Energy Policies.

DRA argues that the ISO's failure to include uncommitted EE and DR in the OTC study essentially "exempts" SDG&E from its statutory requirements to follow the loading

order, citing Cal. Pub. Util. Code §454.5(b)(9)(C). This is an inaccurate interpretation of the statute, the Commission's procurement requirements and the ISO's studies.

§454.5(b)(9)(C) provides that:

The electrical corporation shall first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, *reliable and feasible*. (emphasis added)

Clearly the statute contemplates that the EE and DR resources included in utility portfolios must not only be available; they must also be reliable and feasible. The ISO did include the EE assumptions contained in the CEC forecast. As the ISO explained in its rebuttal testimony, there is substantial uncertainty as to whether the estimated amount of energy savings associated with additional uncommitted EE programs will be achieved. As such, it is uncertain that the assumed EE quantities will even be available. This includes uncertainty regarding the method, timing and relative impact of their implementation.¹ The ISO provided evidence that uncommitted EE assumptions do not reflect resources that can reliably and feasibly be called on to meet local capacity needs over the 10 year planning horizon. Thus, these resources are not eligible for inclusion in the loading order.

Similarly, incremental DR currently does not have the characteristics needed by the ISO to address local capacity needs. Mr. Sparks explained, in detail, that DR must provide equivalent characteristics to that of dispatchable generation; DR must be available when and where needed for a specific megawatt quantity.² Once again, incremental DR simply is not yet available, reliable and/or feasible for purposes of reducing the need to build conventional generation resources. Thus, the ISO's

¹ Ex. 27, pages 3-4.

² *Id.* at pages 5-6.

recommendations and assumptions regarding uncommitted EE and incremental DR are consistent with statutory dictates and the Commission's loading order.

The ISO, as the independent entity operating the transmission system for 80% of California's ratepayers, is well aware of its statutory requirements pursuant to Cal. Pub. Util. Code §345.5:

(a) The Independent System Operator, as a nonprofit, public benefit corporation, shall conduct its operations consistent with applicable state and federal laws and consistent with the interests of the people of the state.

(b) To ensure the reliability of electric service and the health and safety of the public, the Independent System Operator shall manage the transmission grid and related energy markets in a manner that is consistent with all of the following:

(1) Making the most efficient use of available energy resources. For purposes of this section, "available energy resources" include energy, capacity, ancillary services, and demand bid into markets administered by the Independent System Operator. "Available energy resources" do not include a schedule submitted to the Independent System Operator by an electrical corporation or a local publicly owned electric utility to meet its own customer load.

(2) Reducing, to the extent possible, overall economic cost to the state's consumers.

(3) Applicable state law intended to protect the public's health and the environment.

(4) Maximizing availability of existing electric generation resources necessary to meet the needs of the state's electricity consumers.

(c) The Independent System Operator shall do all of the following:

(1) Consult and coordinate with appropriate state and local agencies to ensure that the Independent System Operator operates in furtherance of state law regarding consumer and environmental protection.

* * *

The ISO's OTC study- and indeed all of the ISO's transmission planning studies- are consistent with these mandates. Of particular note are the §345.5(b) standards for managing the transmission grid and related energy markets. The ISO's planning studies

maximize the efficiency of existing resources and evaluate cost efficient mitigation solutions to reliability concerns under stressed conditions. The ISO balances state and federal requirements by making credible assumptions regarding the availability of resources over the planning horizon, including the preferred resources described in §454.5. The ISO's OTC study was conducted in close coordination with the state agencies charged with responsibility for OTC compliance, as required by §345.5(C)(1). Finally, the ISO notes that public health and safety relates not only to environmental considerations, but includes the detrimental impacts on health, safety and the economy, caused by power outages that can occur if the ISO cannot properly do its job.

DRA comments that the ISO is “simply replacing the Commission-mandated standardized planning assumptions with its own.”³ This is a misleading statement that underlies apparent confusion on the part of the interveners. The Commission's planning assumptions, contained in the December 3, 2010 Scoping Memo in R.10-05-006, were used in the studies conducted by the ISO and other parties to that proceeding to evaluate potential system resource needs on a system-wide basis under various renewable portfolio scenarios. The ISO uses the renewable resource portfolios, developed in collaboration with the Commission, to assess the need for “policy-driven” transmission upgrades in the transmission planning process. However, the ISO does not use the Commission's system-wide resource planning assumptions for the purpose of assessing its own transmission grid reliability and operational needs⁴ Thus, the ISO did not suddenly “disregard” the Commission's standardized planning standards but rather

³ DRA Opening Brief, page 25.

⁴ However, in R.10-05-006 the ISO studied an additional Commission-developed resource scenario that more closely aligns with the ISO's operational requirements. The results of this additional scenario showed a need for additional system resources. *See* D.12-04-046 at page 7.

followed the LCR and ISO transmission planning assumptions consistently utilized in each annual cycle.⁵

Just so there is no misunderstanding, the ISO strongly supports the state's energy policy goals and is actively involved in efforts such as its distributed generation (DG) initiative in order to help facilitate the interconnection of DG to the ISO grid. However, as Mr. Sparks noted, efforts such as these do not guarantee that preferred energy resources will actually develop in the amounts advocated by the interveners; thus, they are not appropriate for inclusion in the ISO's local capacity area studies.⁶

B. Future Uncertainty Does Not Provide a Valid Basis Upon Which to Reject the ISO's OTC Study Results.

DRA states that the ISO's OTC study is a "snapshot in time" that is very sensitive to assumption changes, particularly with regard to future transmission upgrades and the location of demand and supply resources, and concludes that the Commission should account for future uncertainty by not using the higher end of the ISO's local deficiency range to authorize procurement.⁷ CEJA similarly refers to the ISO's OTC scenario assumptions as "highly improbable," producing results that should not be relied upon for procurement decisions.⁸

There is no question that the future holds uncertainty. However, contrary to the arguments advanced by DRA and CEJA, uncertainty can go in both directions. Although these parties seem convinced that future resource needs will go *down*, the ISO is currently dealing with the outage of SONGS, which was assumed to be in operation over

⁵ DRA's claim that NERC and WECC transmission planning standards do not dictate load forecasts or long-term planning reserve margins really does not advance the ball on this issue (DRA Opening Brief pages 26-27). As explained repeatedly, the ISO uses the CEC load forecast, containing assumptions about committed EE. This planning assumption is consistent with NERC and WECC criteria.

⁶ Ex. 27, pages 7-8.

⁷ DRA Opening Brief, pages 29-31.

⁸ CEJA Opening Brief, page 10.

the course of the OTC study. It goes without saying that a prolonged outage of this major generation resource (or any other major resource) could drive local area needs in the opposite direction than that predicted by DRA and CEJA. In contrast to this present reality, DRA's list of possible events that *might* reduce local area needs- such as "future transmission upgrades" or the "actual pace of economic recovery-" pale in comparison.⁹ The ISO would caution the Commission that this is not an opportune time to take a "wait and see" approach to authorizing local procurement based on notions that the ISO has substantially over-estimated local area deficiencies.

C. The ISO Evaluated, and Appropriately Did Not Recommend, Load Shedding and Other Non-Resource Mitigation Solutions to Reduce LCR in San Diego.

Despite the rebuttal testimony provided by Mr. Sparks, and his answers to cross-examination questions, DRA and CEJA continue to insist that the ISO improperly failed to recommend a load-dropping SPS as means of reducing local area resource needs.¹⁰ CEJA also insists that the ISO "failed to evaluate different potential options for lowering LCR requirements through transmission or operational measures" and "failed to explain why...it was not appropriate to rely on... load drop."¹¹ These statements, particularly those made by CEJA, are simply not correct. The ISO did in fact analyze load shedding as a mitigation solution and provided detailed explanation as to why it would be an imprudent planning decision. This evidence is summarized in the ISO's opening brief.¹² It is particularly ironic that CEJA completely ignores all of the information and analysis provided by the entity actually responsible for running the transmission grid and

⁹ DRA Opening Brief, page 37.

¹⁰ *Id.* at pages 31-35; CEJA Opening Brief, pages 19-20.

¹¹ CEJA Opening Brief, pages 17, 19.

¹² ISO Opening Brief, pages 16-18.

maintaining reliability, and instead urges the Commission to rely on the unsubstantiated opinion of witness Firooz- who applied her own version of a “probabilistic analysis” in an attempt to erode the deterministic criteria that is the basis of the NERC and WECC criteria- and decided that “a load drop was appropriate.”¹³

CEJA also seems to misunderstand explanations provided by the ISO regarding other mitigation solutions. For example, with respect to installing phase shifters and a series reactor as a way to import more power from the CFE system, and in response to questions posed by counsel for CEJA, Mr. Sparks explained that this possibility had been reviewed as a mitigation solution to the loss of SWPL and Sunrise transmission line elements in the context of the ISO’s transmission planning analysis. He went on to describe the impracticalities of this proposal and concluded by explaining to CEJA that the transmission plan is a comprehensive document and if a solution “doesn’t work as part of the comprehensive plan, it’s... not going to work.”¹⁴ Upon repeated questions by CEJA counsel about whether the ISO studied synchronous condensers as mitigation solutions, Mr. Sparks kept explaining that these condensers were studied as part of the transmission plan:

Q. Have you studied whether or not synchronous condensers could reduce the LCR need in the San Diego area?

A. We looked at—in our transmission plan, we looked at a number of scenarios, we look at our reliability analysis of the system. We also looked to see the capability of the system to deliver renewables. And also, we have—a part of our process looks at the economics of congestion and whether or not we should upgrade the system for congestion. Through that process, we did look at the synchronous condensers primarily I believe in the policy analysis. And again, we came to the conclusion that the most effective or preferred mitigation was to simply replace the OTC

¹³ CEJA Opening Brief, page 19.

¹⁴ Tr.III, pages 543:27-544:4.

in the area because with the large amount of renewable that we're expecting based on the renewable portfolio that we've studied...¹⁵

CEJA's statement that the "CAISO failed to evaluate the impact of four synchronous condensers that SDG&E proposed" appears to display a lack of understanding of the ISO's comprehensive transmission planning process and the testimony provided by the ISO.

D. The ISO's OTC Study is Consistent with the LCR Methodology and the Contingency Analysis Required by NERC/WECC Planning Standards.

CEJA has completely mischaracterized the ISO's local capacity area study methodology in an attempt to show that the ISO has engaged in a "backhanded attempt to increase procurement requirements" beyond those established by the Commission in D.06-06-064, the 2006 decision in which the Commission first addressed the LCR methodology.¹⁶ This line of argument appears to be based on two general misperceptions: (1) that the ISO has "increased" the reserve margin by 2.5%, and (2) that the ISO has "failed to consider" operational solutions that would lower the LCR for San Diego.¹⁷

To begin with, while it is true that the ISO has never conducted a ten year local capacity technical study such as the OTC study, the OTC study is a "long-term LCR" study and it uses the same study methodology employed in the shorter term LCR studies described in Mr. Spark's initial testimony.¹⁸ As discussed in the ISO's opening brief at pages 9-11, the ISO followed the study methodology for an LCR study, as described in

¹⁵ Tr. III, 539:15-540:7

¹⁶ CEJA Opening Brief, page 11.

¹⁷ *Id.* at pages 11-13.

¹⁸ See Ex. 18, Attachment AA, page 213; Ex. 9, pages 2-6.

the 2013 Local Area Technical Study¹⁹ and in the ISO's tariff.²⁰ It goes without saying that the LCR/OTC studies are conducted in accordance with NERC/WECC transmission planning standards.

Contrary to CEJA's assertions, the "2.5% reserve margin" is not related to the operational reserve requirements established by the Commission and was not unilaterally "added in" to the OTC study outside of the criteria used for an LCR/OTC study. Rather, the "2.5%" margin is a WECC transmission planning criteria that is followed as part of the LCR/OTC study methodology. Mr. Sparks explained this concept in response to questions from DRA about the OTC results table on page 3 of his supplemental testimony (Ex. 10).²¹ Specifically, Mr. Sparks stated:

...I also want to mention that [the] 2.5 percent margin...is required by the WECC or reliability criteria on top of the forecasted load. It is meant to be a margin for error because the studies are obviously not perfect.

Q. And that criteria...is what you were just discussing with Ms. Behles a little earlier ...the reserve margin?

A. No, the reserve margin requirements are resource planning needs. The reactive power margin is more of a transmission planning need.

And so there are two different problems. One is solved with reactive power or local resources in this case and is localized, very localized problem on the system. Resource adequacy is a much bigger picture. It is not necessarily a transmission issue. That is why they break them up into two disciplines, if you will.²²

As I mentioned earlier, the ISO is also a planning authority. So we are subject to the transmission planning standards. There are many standards. And so the transmission planning standards do need to be performed out to a 10 year horizon. And the WECC reactive power planning requirements specify this

¹⁹ Ex. 18, Attachment O

²⁰ See ISO tariff § 40.3

²¹ Tr.III, 579:17-585:2.

²² *Id.* at 580:24-581:20.

2.5 percent margin for Category C outages, and a 5 percent margin for Category B outages. And in a load pocket that means increasing the load...²³

CEJA also cites the language of D.06-06-064 wherein the Commission selected the ISO's reliability planning Option 2, and argues that the ISO has not presented the Commission with "options" as part of the OTC study.²⁴ True, the description of the OTC study at Chapter 3 of the 2011/2012 Transmission Plan does not set forth the reliability planning options customarily set forth in the annual LCR study. However, since the issuance of D.06-06-064, the ISO has in fact consistently conducted its LCR studies in accordance with Option 2, as described at page 16 of the 2013 Local Capacity Technical Study²⁵:

Option 2 is a service reliability level that reflects generation capacity that is needed to readjust the system to prepare for the loss of a second transmission element (N-1-1) using generation capacity *after* considering all reasonable and feasible operating solutions (including those involving customer load interruption) developed and approved by the CAISO, in consultation with the PTOs...

Because the OTC study was conducted using the same criteria, the local capacity deficiencies were based on the Option 2 local capacity level. Further, as the ISO discussed extensively throughout the testimony and briefs in this proceeding, the ISO did in fact evaluate all "reasonable and feasible operating solutions," including load interruption, and concluded that additional local generation presented the most feasible mitigation solution. The OTC study is consistent with D.06-06-064 and the LCR studies that have been approved annually by the Commission since the issuance of that decision.

Besides misunderstanding the ISO's LCR study methodology, CEJA also appears to be confused about the NERC/WECC- required contingency analysis, which is the basis

²³ *Id.* at 582:15-583:4.

²⁴ CEJA opening brief, page 12.

²⁵ Ex. 18, Attachment O

of the OTC study. The CEJA opening brief contains an entire section entitled “*CAISO Assumes that Sunrise Powerlink, SWPL, and the CFE Line Provide No Import Capability.*”²⁶ Apparently in support of this statement, CEJA entered into the record as Ex. 41 the pre- and post- import flows for two scenarios provided by the ISO in discovery. These are reproduced on page 15 of CEJA’s opening brief. This table shows that after the most limiting N-1-1 contingency, which is the loss of an element of the Sunrise line followed by the loss of an element of SWPL, the parallel CFE transmission line will be disconnected. CEJA misses the obvious fact that the when these transmission line are lost to due electrical short circuit conditions, they must be removed from service. When this occurs, the parallel CFE transmission line must be protected from overload, which requires that it be removed from service as well. When these lines are removed from service, no power can flow through them. However, prior to this contingency these lines were carrying over 2600 MW of imported power. Until these lines are repaired by SDG&E, there can be no import flows on these major connections into San Diego. That is how a contingency study is conducted-- the ISO must mitigate a situation where substantial import flows into the local area have been cut off by a transmission outage.²⁷ This has nothing to do with the substantial benefits that Sunrise brings to the local area that CEJA describes. Contrary to CEJA’s section heading, the benefits of Sunrise are assumed in the ISO’s study methodology.

III. Credibility of the CEJA Testimony

CEJA witness Firooz made certain statements in the introduction and *curriculum vitae* sections of her written testimony which the ISO believed were unsustainable or

²⁶ CEJA Opening Brief pages 14-16.

²⁷ The ISO provided an explanation about import flows and CEJA’s misunderstanding about the role of Sunrise in an N-1-1 contingency at page 13 of its opening brief.

otherwise had no basis. The ISO explored these unsupportable statements with Ms. Firooz on cross examination, and Ms. Firooz was unable to provide any basis for her assertions.²⁸ The ISO did not find it necessary to address the matter further in its opening brief.

Thus, the ISO was surprised that in its opening brief, CEJA not only attempted to rehabilitate Ms. Firooz's testimony by attaching documents from the ISO's transmission planning process, but even sought to introduce new information into the record that purportedly pertained to Ms. Firooz's credentials, but which CEJA in fact used to criticize the ISO's OTC study. It was inappropriate for CEJA to introduce these purportedly rehabilitative materials for the first time in its brief and not during the hearing, and that now compels the ISO both to respond and to provide background information to assist the Commission in assigning the appropriate weight to be accorded Ms. Firooz's testimony.

On page 1 of Ms. Firooz's testimony, she states:

Recently I performed an analysis of the CAISO's proposed 2010/2011 transmission plan where, based on power flow studies, I determined that two of PG&E's proposed 500 kV transmission lines in the San Joaquin Valley are not needed. The CAISO consequently changed their initial determination of "need" in their 2010/2011 transmission plan, classified the project as "to be looked at in a future planning cycle."

This statement suggests that the ISO relied on Ms. Firooz's power flow study to make a change in its determination as to whether PG&E's proposed San Joaquin Valley line was needed. Ms. Firooz's statement, at page 28 of her testimony, removed all doubt as to what she meant:

²⁸ Tr. III, 472:26-480:10.

Provided interconnection and regulatory consulting to a client opposing a 500 kV transmission project. Won the argument with the CAISO, resulted in re-categorization of the line from “needed” to “to be looked at in the future.”

There are several errors in Ms. Firooz’s statements, particularly: (1) the ISO never concluded, at any point in the 2010/2011 transmission planning process, that PG&E’s 500 kV line in the San Joaquin Valley (Midway-Gregg) was “needed”; and 2) the ISO never “changed its mind” based on studies conducted by Ms. Firooz. Furthermore, CEJA has not submitted such a study into this record or even attempted to show that any such study was in fact provided to the ISO (and when). This became clear during cross examination when ISO counsel asked Ms. Firooz if she could point to any document in which the ISO classified (or proposed to classify) the PG&E line as Category 1 (needed) and Ms. Firooz could not do so.²⁹

CEJA made no attempt to offer supporting documentation while the record was open during the evidentiary hearing after the ISO completed its cross-examination of Ms. Firooz. However, attached to CEJA’s brief were three documents from the ISO’s 2010/2011 planning process: 1) an October 27, 2010 presentation by PG&E, the sponsor of the Midway-Gregg 500 kV line, provided at one of the ISO’s stakeholder meetings; 2) two pages from a presentation by an ISO staff engineer at the December 2, 2010 stakeholder meeting addressing the ISO’s policy-driven and economic study results; and, 3) two pages from the ISO’s draft 2010/2011 Transmission Plan. The only explanation for these documents was provided in footnote 101 (page 18) of CEJA’s brief:

²⁹ Tr. III, 478:26-479:1:

Q. Okay. But you don’t have any reference right now as to where the ISO ever said it was a Category 1?

A. Not in front of me.

Ms. Firooz's testimony on this subject regarding the CAISO's change in the classification of the line is *clearly documented* in its October 2010 stakeholder presentation, *which states that the CAISO was planning to recommend approval of the line...*(emphasis added)

According to the footnote, the documents were submitted pursuant to California Evidence Code Section 791, which pertains to an exception from the hearsay rule and is totally inapplicable to the materials that CEJA is attempting to introduce into the record at this late date. Concurrently with this brief, the ISO is submitting a motion to strike these additional documents. In the event these materials are not stricken from the record, the ISO points out that nowhere in any of the new materials submitted with CEJA's brief is there one iota of evidence that the ISO intended to approve PG&E's 500 kV line or that Ms. Firooz caused the ISO to "change its mind." To the contrary, at page 16 of the PG&E presentation, the presenter quite correctly notes that both the ISO and PG&E previously found a 500 kV reinforcement to be required if all three Helms storage pumps were needed, *"but whether a 500 kV line is the best solution depends on what other transmission elements are needed to support a 33% RPS goal by 2020"* (emphasis added). In other words, even the project proponent recognized that the need for the line rested on whether the Helms pumps were needed for renewable integration purposes, and the presenter clearly did not know whether the ISO would, indeed, approve the line.³⁰ The issue of whether three Helms pumps are needed is still an issue under consideration by the ISO, as reflected in the draft and final 2010/2011 Transmission Plan pages provided to Ms. Firooz during cross-examination.³¹ The ISO at no time advised

³⁰ The PG&E and ISO studies referenced on page 16, including studies regarding the need for Helms pumps during peak load, were conducted during the 2009/ 2010 planning cycle when the 500 kV line was known as the Central California Clean Energy Project (C3ETP). Ms Firooz was not involved in those studies. Tr. III, 479:26-480:10.

³¹ Exs. 39 and 40.

stakeholders at any stakeholder meetings that PG&E's Midway-Gregg 500 kV line was a Category 1 project that would be recommended for ISO Board approval, and Ms. Firooz still has been unable to produce any evidence to the contrary.

However, CEJA's efforts do not stop with the mere submission of documents that fail to support the assertions in Ms. Firooz's direct testimony. At page 18 of its brief, CEJA also erroneously attempts to rely on the Category 2 status of PG&E's proposed Midway-Gregg line as evidence that "the CAISO may not be accurately predicting the needs of the system." CEJA's brief states:

Transmission needs depend on both the transmission additions modeled and the resources and dispatch of those resources in the system. As an example, given anticipated increases in renewable generation, earlier CAISO power flow analysis showed a new 500 kV line in the PG&E territory (Midway-Gregg) was needed to ensure grid reliability (Category 1). Later, *as discussed by Jaleh Firooz, it was discovered that the assumed fossil-fired generation dispatch pattern inside California was incorrect. CAISO then changed its decision on the necessity of that transmission line and in the March 2011 Draft Transmission Plan and the final May 2011 Transmission Plan found the line was not needed (Category 2). [reference to footnote 101 discussed above].* (emphasis added)

This paragraph fails in all respects to support CEJA's claims. Nowhere on the record of this proceeding did Ms. Firooz ever discuss "assumed fossil fuel generation dispatch" associated with the Midway-Gregg studies and, in any event, certainly this had nothing to do with the ISO's conclusions about the project.³² There is no such mention of this issue in any of the documents that were inappropriately attached to the CEJA brief, in Ms. Firooz's direct testimony, or in statements made on cross examination.

Further, CEJA's own statements, as cited above, demonstrate the fallacy of their claim. Under the ISO's transmission planning process, the ISO, with input from stakeholders, determines what transmission solutions are needed based on application of

³² *Id.*

the relevant criteria in the ISO tariff, and those needed transmission solutions are reflected in the comprehensive transmission plan to be approved by the ISO Board. The ISO's initial findings of need are first reflected in the Draft Transmission Plan. Stakeholders are then given an opportunity to comment on the conclusions and recommendations in the Draft Transmission Plan. Taking this input into account, the ISO then makes its ultimate determination of what transmission solutions are needed, and these solutions are reflected in the Final Transmission Plan which is presented to the ISO Board. The ISO does not find specific transmission solutions to be needed in any other documents associated with the transmission planning process. CEJA's own statements in its brief recognize that neither the Draft Transmission Plan nor the Final Transmission Plan identified the PG&E Line as a needed Category 1 Line, a fact also corroborated by the pages from the draft and final versions of the 2010/2011 Transmission Plan submitted by the ISO during cross-examination. Thus, the very documents on which CEJA relies show that the ISO did not change its mind with respect to the need for the PG&E line.

The ISO submits that the foregoing and the results of the ISO's cross-examination of Ms. Firooz effectively strike at the credibility of the testimony. Because CEJA's arguments are based on such testimony, the Commission should ascribe very low weight to this evidence.

IV. Conclusion

As described in the ISO's opening brief, the results of the OTC study show local capacity needs in San Diego starting in 2018. The Commission should authorize SDG&E to procure resources to meet the needs identified in the ISO's base case. The arguments presented by interveners in their opening briefs have not provided a reasonable basis for

the Commission to reject the ISO's recommendations or to delay procurement authorization beyond 2012.

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