

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

Application of PACIFIC GAS AND ELECTRIC
COMPANY (U 39 E) for a Certificate of Public
Convenience and Necessity Authorizing the
Construction of the Jefferson-Martin 230 kV
Transmission Project

Application No. A-02-09-043

**RESPONSE OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
TO WOMEN'S ENERGY MATTERS'
MOTION TO REOPEN THE RECORD**

Charles F. Robinson, General Counsel
Grant A. Rosenblum, Regulatory Counsel
California Independent System Operator
151 Blue Ravine Road
Folsom, CA 95630
Telephone: 916-351-4400
Facsimile: 916-608-7222

Dated: March 17, 2004

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MOTION TO REOPEN THE RECORD**

In accordance with Rule 45 of the Commission’s Rules of Practice and Procedure, the California Independent System Operator (“CAISO”) respectfully submits this response in opposition to the Motion to Reopen the Record (“Motion”) filed by Women’s Energy Matters (“WEM”) on March 3, 2004 in the above-captioned proceeding. WEM asserts that the record in this proceeding should be reopened for further hearings or, at a minimum, to permit additional discovery and briefing to consider three items:

1. A proposal to construct a merchant transmission line across the San Francisco Bay presented to the San Francisco Peninsula Stakeholder Study Group at its meeting on February 19, 2004.
2. The “Draft Consensus Statement” of the Power Flow subgroup of the Large Core Working Group.
3. A series of articles describing the “possibility of imminent global climate collapse due to failure of the ‘Ocean Conveyor’ which drives ocean currents.”

The CAISO does not believe inclusion, examination, and discussion of the above-items will enhance the record or clarify the issues for determination in this proceeding. The items are speculative, irrelevant, and/or duplicative of record evidence. Reopening the record, therefore, will serve only to prolong this proceeding without any offsetting benefit to Your Honor or the Commission. Accordingly, the CAISO requests that WEM's Motion be denied.

A. The Proposed Trans-Bay Transmission Line Is So Speculative As To Be Wholly Irrelevant To Consideration Of The Jefferson-Martin Project

The Motion initially attempts to justify reopening the record based on a proposal presented to the San Francisco Peninsula Stakeholder Study Group ("Study Group") on February 19, 2004, by a merchant transmission developer, Babcock & Brown, to construct a new 350 MW DC cable between the Pittsburg Substation in the East Bay and the Potrero Substation in San Francisco. However, the proposed new transmission line is currently nothing more than a concept and is admittedly part of a study process to consider transmission upgrades on the San Francisco Peninsula *after* construction of the Jefferson-Martin Project. Indeed, the quote provided by WEM confirms that the proposed project is only now "initially visualized" and that "it is envisioned that Babcock & Brown will submit and [sic] interconnection study request to PG&E."

Simply put, the proposal is at such a nascent stage of development and its prospect of becoming a reality so speculative that currently available information regarding the proposed project cannot possibly have any legitimate bearing on the outcome of this proceeding. Babcock & Brown has not yet identified a specific facilities design, obtained rights of way, submitted its request for a preliminary interconnection study with

PG&E, or applied for cost-based rate approval from the Federal Energy Regulatory Commission. Therefore, the assertions in the Motion that the proposal is “credible” and possesses “sufficient financial backing,” or that it will reduce the direct costs to ratepayers to zero, may be cheaper than the Jefferson-Martin Project and may be built sooner and faster rests solely on conjecture. The proposed project is roughly estimated to cost at least \$200 million, will be paid for through cost based rates and therefore may not be significantly less expensive to ratepayers than the Jefferson-Martin Project. The total absence of basic project details prevents any meaningful evaluation of pertinent factors such as estimated costs, environmental impacts or potential impediments, or the in-service date for the proposed project. Under the circumstances, both prudent planning principles and the Commission’s *Valley-Rainbow* decision¹ would dictate ignoring the proposed project. Thus, the Babcock & Brown proposal adds nothing to the record and is necessarily irrelevant.²

B. WEM’s Argument Based On The Draft Consensus Statement Is Negated By Evidence Already In The Record

The second item WEM relies on to justify reopening the record is a recent draft “Consensus Statement” distributed by the Load Forecasting and Power Flow Analysis Working Group, which is a stakeholder group originally convened by the City and County of San Francisco and community organizations with the assistance of the

¹ In the *Valley-Rainbow* decision, the Commission found that only resources “under construction” or that “have received regulatory permits” should be included in the resource mix for transmission planning purposes. (D.02-12-066, mimeo at 33.) Although the decision was specifically addressing generation resources, the interchangeability of transmission and generation to meet load serving capability dictates that transmission resources be treated similarly to determine an appropriate supply forecast.

² Moreover, the Jefferson-Martin Project must be constructed to meet demand by the end of 2005. For a utility, the time from conception to completion of a project of similar size would be at least six years. Thus, even under the most optimistic estimate, the proposed transmission line will not be completed in time to obviate the need for the Jefferson-Martin Project and is therefore not material to the determination in this proceeding.

Governor's Office of Planning and Research in mid-2002. WEM asserts that the Consensus Statement "shows that the J-M line could cause a much larger reduction in load serving capability than CAISO previously revealed" and "[i]nstead of minus 25-70 MW, the reduction could be minus 370 MW." WEM continues that this purported increase in lost load serving capability "materially change[s] the picture" so as to warrant reopening the record.

WEM is either confused or intending to create confusion where none exists. The purported reduction of 370 MW is derived by comparing the difference between the "Base Case Transmission System" load serving capability of 1971 MW with 320 MW of San Francisco generation modeled on-line and the load serving capability under the Jefferson-Martin Project scenario of 1601 MW with the same amount of generation on-line ($1971 \text{ MW} - 1601 \text{ MW} = 370 \text{ MW}$). However, the result of this sensitivity is both redundant and irrelevant. . WEM's claim that this purported 370 MW reduction was not revealed" during the hearings is incorrect. A comparison of Case 6 of the CAISO's San Francisco Peninsula Load Serving Capability Study with Case 3 of that study shows a similar 370 MW reduction in load serving capability post-Jefferson-Martin. Accordingly, WEM's purported new evidence is redundant of material in the record and reopening the record is unnecessary.

Equally significant, WEM's claim is irrelevant because it conflicts with the reality of the transmission system as set forth in the record developed during the hearings. The undisputed record in this proceeding establishes that the South of San Mateo Rates are, for the most part, already completed and will be completed by the end of 2004. (Exhibit 4 at 43 and Attachment 6 at pp. 33 and 54.) Accordingly, even without the effect of

PG&E's anticipated rerating efforts within San Francisco, the minimum comparison should be between the base case with the Jefferson-Martin Project and South of San Mateo rerates. Under this comparison, load serving capability increases 110 MWs (2081 MW – 1971 MW = 110 MW). Thus, WEM's underlying premise is wrong, cannot affect the outcome of this proceeding, and must be disregarded.

The CAISO does not agree with WEM's related assertion that the Jefferson-Martin Project will cause a reduction in load serving capability of 25-70 MWs and will address that contention in its reply brief. However, for purposes of responding to the Motion, it is sufficient to point out that WEM "recognizes that a 25-70 MW reduction in Load Serving Capability was discussed during the hearings." (Motion at p. 3.) Accordingly, given WEM's error with respect to the 370 MW reduction claim, the remaining contentions raised by WEM are redundant of matters already in the record. The Consensus Statement, therefore, adds nothing to the record and the burden, expense and delay resulting from reopening the record to allow for its admission would clearly outweigh any resulting benefit.

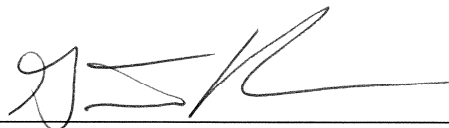
C. WEM's Assertion Of Global Climate Collapse Is Beyond The Scope Of This Proceeding

The third item WEM references to justify reopening the record relates to reports of purported imminent global climate collapse. The CAISO agrees with WEM that environmental impacts must be considered in planning and developing the power delivery system in California. However, the CAISO believes that the materials referenced by WEM are beyond the scope of the instant proceeding and therefore are not relevant.

CONCLUSION

Based on the foregoing arguments, the CAISO respectfully requests that WEM's Motion be denied.

Respectfully submitted,



Charles F. Robinson, General Counsel
Grant A. Rosenblum, Regulatory Counsel
California Independent System Operator
151 Blue Ravine Road
Folsom, CA 95630
Telephone: 916-351-4400
Facsimile: 916-351-2350

Attorneys for
California Independent System Operator

Dated: March 17, 2004

PROOF OF SERVICE

I hereby certify that on March 17, 2004, I served by electronic and U.S. mail, the Response of the California Independent System Operator Corporation to Women's Energy Matters' Motion to Reopen the Recordin Docket # A. 02-09-043.

DATED at Folsom, California on March 17, 2004.



Grant Rosenblum
Regulatory Counsel
California Independent System Operator