via electronic mail

December 5, 2013
Mr. Neil Millar
California Independent System Operator 250
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Dear Mr. Millar,

This letter contains Sierra Club's comments on the materials presented at the California Independent System Operator's 2013-2014 Transmission Planning Process Stakeholder Meeting held on November 20-21, 2013 (the "Materials"). These comments augment comments submitted with The Nature Conservancy, Defenders of Wildlife and the Natural Resources Defense Council specific to the Desert Renewable Energy Conservation Plan (DRECP) and the preliminary results of the policy-driven transmission need assessment.

The Sierra Club is a national nonprofit organization of approximately 1.3 million members and supporters dedicated to exploring, enjoying, and protecting the wild places of the earth; to practicing and promoting the responsible use of the earth's ecosystems and resources; to educating and enlisting humanity to protect and restore the quality of the natural and human environment; and to using all lawful means to carry out these objectives. The Sierra Club's concerns encompass protecting our public lands, wildlife, air, and water, while at the same time rapidly increasing our use of energy conservation, efficiency improvements, and renewable energy. Our engagement in the transmission planning process is based on an interest in ensuring that energy development occurs thoughtfully and sustainably. The Sierra Club believes it is important for the California Independent System Operator (the "ISO") to incorporate California's full suite of relevant energy and climate policies and programs into transmission planning. In addition, Sierra Club would like to ensure that all state energy agencies use consistent, valid methodologies and assumptions for determining energy resource needs. This coordination is necessary if California is to meet its climate protection, air quality and energy policy goals, while avoiding unnecessary costs and protecting the natural environment that the climate and energy policies are intended to benefit.

A. There should be better alignment between the 2013/14 Transmission Planning Process (the "TPP"), reliability needs in Southern California to deal with the retirement of San Onofre Nuclear Generating Station ("San Onofre"), and the ISO's non-conventional alternatives proposal.

The ISO correctly acknowledges that there are unique challenges in this year's policy driven analysis.[1] The TPP may play a role in determining whether the retirement of San Onofre could cause reliability concerns in Southern California, and whether any reliability needs could be met through transmission or non-conventional alternatives. The ISO requested in its opening testimony to Track 4 of the California Public Utilities Commission's (CPUC)'s Long Term Procurement Proceeding (Track 4) that the CPUC wait to make any procurement authorization decision until the ISO completes its transmission studies.[2] The Sierra Club continues to believe it would be prudent to wait

[1] 2013/2014 Transmission Planning Process Stakeholder Meeting, Day 1 , Opening p. 5.
[2] ISO-1, p. 31, lns. 1-7.

for the completion of the ISO's transmission studies to determine any need authorization in Track 4.[3] However, in order for the TPP to assess how transmission and non-conventional alternatives could address reliability impacts, if any, the TPP must: (i) use accurate assumptions, (ii) not pre-suppose the outcome of Track 4, and (iii) properly align reliability determinations, transmission proposals and consideration of non-conventional alternatives.

i. The ISO should use the 2013 IEPR Demand Projections.

Although the ISO uses the California Energy Commission (CEC) 2013 Preliminary Integrated Energy Policy Report (IEPR) numbers for natural gas and GHG prices, the demand forecast relies on the CEC 2011 IEPR (2018, 2023) with additional achievable energy efficiency to determine in-state load[4].

Per ISO staff, the differences between the 2013 and 2011 numbers is likely negligible. We believe the difference between the 2011 and 2013 numbers could range between 600-1,300 MW of demand for Southern California alone. We are concerned the ISO did not seem to compare demand numbers before determining the difference was negligible

The CEC will hold a business meeting to consider adopting the final demand forecast on December 11, 2013.[5]This should allow time to incorporate the final number into the next iteration of the TPP. [6] Adopting the final IEPR demand number will ensure consistent and accurate assumptions across planning agencies.

ii. Assuming local generation to meet local reliability needs could preclude the TPP from accurately assessing reliability needs and the ability of transmission and non-conventional alternatives to meet these needs.

The TPP assumes 520 MW of new generation in NW San Diego County in the system-wide basecase for the South Policy Driven Powerflow and Stability Results.[7] It is difficult to see how transmission studies could properly analyze how transmission or non-conventional solutions could mitigate reliability in Southern California reliability impacts, if pre-supposing generation solutions. There is no explanation for these 520 MW. This generation number was not provided to the ISO as part of the CEC/CPUC's renewable generation portfolios under the CPUC/CAISO May 2010 Memorandum of Understanding, nor seemingly based on any authorization from the CPUC.

The ISO notes " (A)nalysis assumed local resources meet local needs – and reconsideration will be necessary depending on reliability mitigations that are ultimately selected." [8] This description appears circular. It is difficult to understand how the TPP could accurately assess either reliability impacts or the ability of transmission solutions to mitigate reliability impacts if assuming all local need will be met by local resources.

We find the interplay between this assumption and the ISO's non-conventional alternatives proposal unclear. In the ISO's presentation on Consideration of Alternatives to address Local Needs in the TPP, the ISO stated they were currently applying the non-conventional alternatives methodology to the LA Basin, San Diego and the Moorpark sub-area of Big Creek/Ventura, and that in this particular TPP " a basket of both preferred resources and

[3] Sierra Club California Opening Brief, Track 4, page 3.
[4]2013/2014 Transmission Planning Process Stakeholder Meeting Day 1, Economic Planning Studies, Page 3.
[5] http://www.energy.ca.gov/2013_energypolicy/documents/2013-11-12_Notice_to_Consider_Adoption.pdf
[6] Per ISO staff, they legally cannot rely on draft demand forecast numbers. We are not aware of any legal basis for this. We note the CPUC has relied in the past on draft IEPR demand forecasts. However, in this case, the timing of the CEC business meeting should allow the ISO to model final IEPR demand numbers.
[7] 2013/2014 Transmission Planning Process Stakeholder Meeting Day 1, South Policy Driven Powerflow and Stability Results p. 2.
[8] 2013/2014 Transmission Planning Process Stakeholder Meeting Day 1page 10.

conventional resources (i.e., transmission and generation) will be pursued,[9]" with a main focus on "the local reliability needs as part of a basket of resources.[10]" Local preferred resources are the mitigation solutions most consistent with the ISO's 'least regrets' transmission policy. However, we are confused how potentially effective transmission solutions .will be considered in this process if it is assumed local resources will meet local needs.

B. A 100% preferred resource solution to replacing San Onofre should be considered.

We agree with the ISO that this particular TPP presents unique challenges due to the announced retirement of San Onofre. However, we also believe that this retirement, together with the great strides the ISO has made in recent months with the non-conventional alternatives proposal, presents a great opportunity to show any reliability needs could be addressed through carbon-free resources.

Given the numerous issues around the retirement of San Onofre and whether this will impact reliability in Southern California, we were surprised this was not addressed in the Conceptual Statewide Plan or the draft TPP. The TPP should study a 100% preferred resource solution to the retirement of San Onofre and include identifying as policy-driven alternatives transmission projects which would use renewables to address any reliability needs caused by the retirement of San Onofre, and analyzing how all policy-driven or economic-driven improvements could meet any reliability concerns in Southern California.

It is not clear how the various transmission proposals submitted by the IOUs and others to address reliability concerns in Southern California will be compared and evaluated against the policy-driven lines evaluated and proposed by the ISO to be presented for approval at the March Board of Governors meeting. We are concerned that in fact, the ISO has apparently already the Harry Allen-Eldorado 500 kV line as its policy driven project without analyzing how this line will address reliability concerns. Given the high direct and indirect costs of transmission, it makes sense to choose transmission investments which would serve multiple goals.

Thank you for your consideration of these comments and for the opportunity to participate in this process.

Sincerely,

Sarah K. Friedman

Sarah K. Friedman
Senior Campaign Representative
Sierra Club

[9] September 18, 2013 presentation on Consideration of Alternatives to address Local Needs in the TPP, Tom Flynn, Stakeholder Web Conference, page 10.

[10] September 18, 2013 presentation on Consideration of Alternatives to address Local Needs in the TPP, Tom Flynn, Stakeholder Web Conference, page 11.