

**BEFORE THE 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 Tri) A. 99-11-025
Valley 2002 Capacity Increase Project) (Filed November 22, 1999)
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**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
ON THE ALTERNATE PROPOSED DECISION OF COMMISSIONER WOOD**

October 3, 2001

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In accordance with CPUC rules 77.3, 77.4, 77.6, the California Independent System Operator (CA ISO) respectfully submits these comments on the Alternate Proposed Decision of Commissioner Wood mailed September 26, 2001 (Alternate Proposed Decision) in the above captioned case. The CA ISO strongly supports the result in the Alternate Proposed Decision which would grant Pacific Gas and Electric Company (PG&E) a Certificate of Public Convenience and Necessity (CPCN) for all Phase I components of the Tri Valley Project and which eliminates an unhelpful discussion of the relationship between CA ISO and California Public Utilities Commission (CPUC) responsibilities in the context of adding transmission facilities in California. These changes are extremely positive as, if adopted, they will assure the long term reliability of transmission service in the Tri Valley area and they provide a basis for a constructive process to better harmonize CA ISO and CPUC responsibilities and activities with regard to transmission additions. The CA ISO recommends further changes to the Alternate Proposed Decision to make the entire document consistent with the significant positive changes that have already been made. The CA ISO

very much appreciates Commissioner Wood's leadership in addressing the deficiencies in the Proposed Decision of Administrative Law Judge (ALJ) Cooke.

Pursuant to Public Utilities Code § 1001, et. seq. Pacific Gas and Electric Company (PG&E) seeks from the CPUC a CPCN to construct transmission facilities in the Tri Valley area (Pleasanton, Livermore, Dublin), including Phase I elements: modification of the existing Vineyard substation to include a 230 kV transmission facility; construction of two additional substations in Dublin and North Livermore; and construction of attendant transmission facilities; and Phase 2 elements: connection of the Dublin and North Livermore substations to the Tesla Substation. On July 24, 2001, ALJ Cooke issued a proposed decision that grants a CPCN for modification of the existing Vineyard substation to include a 230 kV transmission facility, construction of an additional substation in Dublin, and attendant transmission facilities, but denies a CPCN for construction of an additional substation in North Livermore and for Phase 2 (July Proposed Decision). In addition, the July Proposed Decision includes unhelpful language as to the responsibilities of the CA ISO in transmission planning and their relationship to the CPUC's transmission facility siting responsibilities.

The CA ISO filed comments on the July Proposed Decision arguing that it erred in concluding that the North Livermore substation and attendant transmission facilities are not needed, and in failing to adequately account for CA ISO responsibilities in transmission planning. The Alternate Proposed Decision addresses both these issues constructively.

The Alternate Proposed Decision grants PG&E a CPCN for all aspects of Phase 1, including the North Livermore substation. The approval of the North Livermore substation will ensure that transmission upgrades in the Tri Valley area provide for reliable electric service to all Tri Valley communities. As stated in the CA ISO's comments on the July

Proposed Decision, the record and prudence support permitting of the North Livermore substation.

In addition, the Alternate Proposed Decision eliminates an unhelpful discussion of the relationship between CA ISO and CPUC responsibilities regarding the addition of transmission facilities. As the CA ISO has described in a number of pleadings, both the CA ISO and the CPUC have responsibilities as to the addition of transmission facilities in California: the CA ISO has responsibility for reliable operation of the transmission system and for transmission planning, whereas the CPUC has responsibility for transmission facility siting. These responsibilities must be harmonized, in order for both entities to undertake their responsibilities in a constructive and efficient manner that protects the public interest. As noted at the all party meeting convened by Commissioner Wood, the CA ISO agrees that a broader discussion between the CA ISO and the CPUC is important to work towards harmonizing the responsibilities and activities of the CA ISO and the CPUC in the development of new transmission facilities in California. Elimination of unhelpful language in the July Proposed Decision provides a constructive basis for the discussion.

While the Alternative Proposed Decision includes the significant improvements mentioned above, there remains language that is problematic. With regards to the North Livermore substation, significant discussion remains in the Alternate Proposed Decision which was intended to call into questions the need for the substation. For example, the first paragraph on Page 53, after the first sentence, consists of a discussion of serving North Livermore load from the Las Positas substation, an approach for which there is no support in the record. Given the conclusion, it would be appropriate to change or delete such discussion.

With regards to the respective responsibilities of the CPUC and the CA ISO as to transmission additions, conclusion of law 5 remains problematic. In particular, the CA ISO urges a modification of Conclusion of Law 5 as follows:

5. The ISO has responsibility to ensure the reliability of the State's electrical system pursuant to Pub. Util. Code § 345. ~~However, ensuring reliability and deciding that a particular transmission project should be built are two separate issues.~~

Pub. Util. Code § 345 provides that the CA ISO "shall ensure efficient use and reliable operation of the transmission grid consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Systems Coordinating Council and the North American Electric Reliability Council." The deleted sentence suggests that there is no relationship between the CA ISO's ability to ensure achievement of planning criteria and construction of the transmission projects required to do so. This suggestion is simply untrue and counter productive. Elimination of the statement provides a constructive basis for further discussions between the CA ISO and the CPUC.

In sum, the CA ISO strongly supports the Alternate Proposed Decision. The CA ISO recommends one specific change to the Conclusions of Law to make them consistent with the constructive elimination of unhelpful language in the body of the decision. Once again, the CA ISO commends Commissioner Wood's leadership in developing an alternate that will ensure reliable electric service to all communities in the Tri Valley area and that provides a constructive basis for

further efforts between the CA ISO and the CPUC to harmonize their responsibilities and activities with regards to transmission additions.

Respectfully submitted this 3rd of October, 2001 by:

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