

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

Order Instituting Investigation into)
implementation of Assembly Bill 970 regarding) I.00-11-001
the identification of electric transmission and)
distribution constraints, actions to resolve those)
constraints, and related matters affecting the)
reliability of electric supply.)
_____)

**PREHEARING CONFERENCE STATEMENT
OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR**

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In accordance with the Administrative Law Judge's April 2, 2002 Ruling Requiring Additional Information on Status of Transmission Projects and Notice of Further Prehearing Conference (April 2 Notice), the California Independent System Operator (CA ISO) respectfully submits this prehearing conference (PHC) statement. The April 2 Notice specifically asks the CA ISO to report in its PHC statement on 1) the status of its RFP process and consultant report on a methodology for the economic analysis of large transmission additions; and 2) the updated schedule for completion of its short-term and long-term study plans for the Path 26 expansion.

I. RFP Process

On January 25, 2002, London Economics (LE) submitted to the CA ISO and the steering committee a report entitled "Final Methodology: proposed approach for evaluation of transmission investment". The approach set forth in the report was discussed with steering committee members during a meeting on February 13, 2002. While the report characterized the methodology as final, prior to and during the February 13 meeting, steering committee members and the CA ISO identified some issues of concern that will be resolved when the methodology is tested. Therefore, the Final Methodology has not been made public pending testing and validation.

At the same time, LE has been working on developing a modeling approach to implement the methodology recommended in its report. The steering committee agreed to use a Path 26 upgrade as a test case for the approach. As discussed below, work to assess the economic benefits of upgrading Path 26 is underway. The assessment of a Path 26 upgrade will be used to validate the methodology and modeling approach. A report on the modeling approach and the recommended software packages to be used for the Path 26 upgrade assessment will be prepared by LE by the mid June. LE will offer training assistance on use of the modeling approach to the CA ISO and other interested persons during the second part of June.

II. Path 26 assessment

On December 13, 2001, in response to a directive by Judge Gottstein, the CA ISO submitted a status report on the assessment of options to upgrade Path 26 to the California Public Utilities Commission (CPUC) in this proceeding. The CA ISO noted that there are 1) short-term options to upgrade Path 26 and add between 250-400 MW of transfer capability through a Special Protection System (SPS), which would include tripping generation and bypassing some of the series capacitors on the Midway – Vincent 500 kV #3 line; and 2) long-term options to upgrade the Path that would add 1000 MWs through the addition of new facilities that may or may not be combined with an SPS.

The CA ISO indicated that to undertake further progress:

- ?? The PTO's would need to develop cost estimates for the transmission options.
- ?? Additional studies would have to be completed to determine if the Path 26 rating increase would be able support a simultaneous increase in the SCIT (Southern California Import Transmission) level or if the increase would only support a non-simultaneous rating increase.
- ?? Study results would have to be organized into a Comprehensive Progress Report that would be reviewed by all interested WECC members and would form the foundation to obtain WECC approval of the Path rating increase.

As the reliability aspects of these items, the following has taken place:

- ?? Path 26 Short-term Rating Increase - The CA ISO has initiated new studies that will form the basis for a Comprehensive Progress Report to the WECC that will place the Path 26 Rating Short-term Increase project in Phase 2 of the WECC Rating Process. After the Comprehensive Progress Report is complete, a WECC Project Review Group will be formed and the simultaneous transfer capability studies will be completed. Phase 3 of the WECC rating process will then be complete and the project will obtain a WECC Accepted Rating. In parallel with this work, the SPS requirements will be developed and implemented. The CA ISO's current goal is to have the increased path rating in place by June of 2003.
- ?? Path 26 Long-term Rating Increase - Southern California Edison is initiating work on the studies necessary to increase the capability of Path 26 by approximately 1000 MW over the current capability. This work is in the early stages. Further development of this project will be dependent on the outcome of the economic studies being completed by LE (see below).

As to the economic aspects of upgrading Path 26, as indicated above, an assessment of the project will be used as a test case for the methodology to assess the economic benefits of transmission

upgrades developed by LE. The assessment will relate to the both the short and long term options for upgrading Path 26. Initially, assumptions have been developed and are being circulated to the steering committee. Once steering committee members have had an opportunity to review and comment on assumptions, the modeling work will commence. LE has indicated that it believes a final product on a Path 26 upgrade assessment should be complete by the end of July or early August. This assessment relates only to the economic benefits from a Path 26 upgrade. Reliability related studies, such as system impact studies, and the WECC Path Rating process will be completed for the long-term rating increase after the economic need is determined.

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Respectfully Submitted:

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