

**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.)	
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**STATEMENT OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
REGARDING PRIORITY TRANSMISSION PROJECTS**

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Dated: March 20, 2001

In accordance with the Administrative Law Judge's Ruling ("ALJ Ruling") at the March 13, 2001 Pre-Hearing Conference in this proceeding, the California Independent System Operator ("CA ISO") respectfully submits this statement identifying, in order of priority, the transmission projects the CA ISO believes will most effectively address system constraints by providing cost-efficient transmission upgrades to the ISO Controlled Grid.

The CA ISO suggests that the following projects be considered for analysis at the hearings scheduled for June 11, June 18 and July 17: (1) Path 15, (2) Valley Rainbow, (3) Palo Verde-Devers 2, (4) Miguel-Rainbow, (5) Path 26, (6) San Jose 500kV Substation, and (7) Fresno 500 kV Substation.

The CA ISO views each of the above-identified projects as high priority. To the extent the upcoming hearings are meant to aid the Certificate of Public Convenience and Necessity ("CPCN") process, however, the CA ISO notes that not all these projects may necessarily require a CPCN. For example, based on meetings between the CA ISO, the Transmission Agency of Northern California ("TANC"), WAPA, the Electricity Oversight Board and others, it appears TANC may be able to build Path 15 more quickly than could any other entity. If TANC were to build Path 15, TANC would be the lead agency under CEQA and a CPCN proceeding would not be required. Similarly, preliminary analysis indicates that for Path 26, a Remedial Action Scheme may suffice, in which case a CPCN proceeding would not be needed. The CA ISO also considers the San Jose and Fresno Substations important, but notes that these are only potential projects for which little information has been developed.

In summary, while the CA ISO thinks that the state of California should move ahead with development of all the projects set forth above, if the purpose of the upcoming hearings is to expedite eventual CPCN proceedings, CA ISO suggests that the Valley Rainbow, Palo Verde-Devers 2, and Miguel-Rainbow projects be the focus of the hearings. All of these projects are part of a larger regional expansion plan necessary to gain access to planned additional power supplies.

San Diego Gas & Electric Company's (SDG&E) Valley-Rainbow transmission project is needed by 2004 in order to increase the transfer capability into the San Diego area to serve load. The Palo-Verde-Devers 2 transmission line is necessary to gain access to the large amount of generating capacity planned at or around the Palo Verde substation in Arizona. The Miguel-Rainbow project, although not identified by the parties at the Pre-Hearing Conference, is needed as a regional project that will tie in the Palo Verde-Devers 2 and Valley-Rainbow lines. Thus, while each of these projects individually will most likely require a CPCN, together they form part of a larger regional network that will bring new power supplies to Southern California. If Paths 15 and 26 are completed as currently planned, all of the projects together will substantially relieve congestion on the ISO Controlled Grid and will serve to ensure that Californians have access to critical new supply.

The CA ISO commends the CPUC's efforts to identify critical new transmission facilities and supports any effort to expand existing generation and transmission infrastructure in the state. To this same end, the CA ISO's planning process has been extremely successful, approving more than \$800 million in new transmission over the past three years. To the extent the proposed process will accelerate approval of these critical projects, including obtaining CPCNs, the CA ISO fully supports the process.

In the long term, however, CA ISO believes the existing planning process is both efficient and effective and should not be changed. The existing system allows the CA ISO and the CPUC to coordinate their activities in a manner that prevents a duplication of efforts and inconsistent results, and allows each entity to carry out its responsibilities productively. The current system recognizes the CA ISO's statutory responsibility to ensure a reliable transmission system and is therefore the appropriate entity to identify cost-effective and reliable transmission upgrades needed to maintain reliability. Similarly, consistent with its statutory obligations, the CPUC is the appropriate entity to consider the impact of proposed transmission projects on the

environment, their impact on communities, as well as other social and aesthetic factors. The current delineation of responsibilities -- which maximizes the strengths of each organization -- has and will continue to serve the state and California ratepayers well.

DATED: March 20, 2001

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DECLARATION OF SERVICE

I, Pam Woodfin, declare that I am employed in the County of San Francisco, State of California, and am not a party to the within action. My business address is Russ Building, 235 Montgomery Street, San Francisco, CA 94104.

On March 20, 2001, I served the document titled STATEMENT OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION REGARDING PRIORITY TRANSMISSION PROJECTS on the parties shown on the attached Service List via electronic mail and/or U.S. Mail.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed at San Francisco, California this 20th day of March, 2001.

Pam Woodfin