

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

In the Matter of the Application of Southern California Edison Company (U 338-E) for a Certificate of Public Convenience and Necessity Concerning the Devers-Palo Verde No. 2 Transmission Line Project.

Application 05-04-015
(Filed April 11, 2005)

Order Instituting Investigation on the Commission's Own Motion into Methodology for Economic Assessment of Transmission Projects.

Investigation 05-06-041
(Filed June 30, 2005)

**REPLY COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR
ON THE PROPOSED OPINION ON METHODOLOGY FOR
ECONOMIC ASSESSMENT OF TRANSMISSION PROJECTS**

July 17, 2006

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Pursuant to Rule 77.5 of the Commission's Rules of Practice and Procedure, the California Independent System Operator Corporation ("CAISO") respectfully submits its reply comments on Administrative Law Judge ("ALJ") TerKeurst's draft decision entitled "Opinion on Methodology for Economic Assessment of Transmission Projects," mailed June 20, 2006, in the above-referenced proceedings ("Draft Decision").


The CAISO seeks to clarify Section III of its opening comments on the Draft Decision. Section III requested that the Commission permit the taking of additional evidence should it believe Decision 03-02-069, which evaluated the economic benefits of installing Miguel-Mission #2 based on a transportation model, remains relevant to the adoption of a going forward methodology for the economic assessment of transmission projects. By its request, the CAISO did not intend to challenge D.03-02-069 itself or otherwise suggest that its reasoning or outcome were faulty. The CAISO recognizes that D.03-02-069 was supported by the record in that proceeding and reached the proper conclusion based on the information then available to the Commission. Instead, the request in Section III merely reflects that the CAISO's actual

experience gained from the actual operation of Miguel-Mission #2 reveals that the accuracy of modeling effort of that line was undermined by the use of a transportation model.

Furthermore, the Section III request was not intended to suggest that the economic need for Devers-Palo Verde #2 ("DPV2") is questionable. As the CAISO noted in its reply brief, filed on March 26, 2006, the CAISO validated the benefits of DPV2 by fully applying TEAM to reach its conclusion that the proposed line provided significant economic value to California electricity consumers. Accordingly, the CAISO's objection to the exclusive use of a transportation model to justify the economic benefits of a proposed transmission project is, in its view, immaterial to the Commission's evaluation of whether to approve SCE's application to construct DPV2.

July 17, 2006

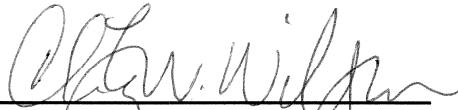
Respectfully Submitted:

By: 
Grant A. Rosenblum
Attorney for
California Independent System Operator

CERTIFICATE OF SERVICE

I hereby certify that I have served, by electronic and United States mail, a copy of the foregoing Reply Comments of The California Independent System Operator on the Proposed Opinion on Methodology for Economic Assessment of Transmission Projects to each party in Docket Nos. A.05-04-015 and I.05-06-041.

Executed on July 17, 2006 at Folsom, California.



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