

**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)

**COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON THE PROPOSED DECISION**

The California Independent System Operator Corporation (“ISO”) submits these comments on the proposed decision of Administrative Law Judge Victoria Kolakowski issued on September 28, 2009.¹ The ISO’s only concern with the proposed decision is that it doesn’t recognize that the ISO’s governing board will not be directly involved in the ISO’s process for determining whether to approve the construction of the California portion of Southern California Edison Company’s (“SCE’s”) proposed Devers-Palo Verde No. 2 transmission project.

As discussed in more detail below, the ISO’s approval process for the California portion of the project will be part of the ISO’s process for the study and execution of interconnection agreements for generators that have requested interconnection to the ISO-controlled grid in the vicinity of the eastern terminus of the California portion of the project. The ISO’s approval of the construction of any new transmission facilities through the generator interconnection process is demonstrated through interconnection studies coordinated by the ISO identifying facilities needed for the interconnection and the execution of the interconnection agreement by an officer of the ISO. This approval process does not involve presentation of the facilities for approval by

¹ The ISO submits these comments in accordance with Article 14 of the Commission’s Rules of Practice and Procedure.

the ISO's governing board, as would be required by the language of the proposed decision. The ISO requests that the Commission adopt a final decision that omits reference to approval by the ISO's governing board and simply requires approval by the ISO.

I. THE APPLICABLE ISO PROCESS FOR APPROVING THE CALIFORNIA PORTION OF THE PROJECT IS DIFFERENT FROM THE PROCESS THAT APPLIED TO THE PRIOR VERSION OF THE PROJECT IN THAT THE ISO'S GOVERNING BOARD IS NOT DIRECTLY INVOLVED.

The ISO's governing board approved the construction of the original version of SCE's proposed Devers-Palo Verde No. 2 transmission project in 2005 based on the economic and reliability benefits and operational flexibility of the project. This approval was issued pursuant to the provisions of the ISO tariff providing for ISO review of proposed large new transmission projects to determine whether they provide economic benefits and specifying that construction of such projects must be expressly approved by the ISO's governing board in order for their costs to be recovered through the ISO's transmission rates. The ISO subsequently provided a letter to the Commission, dated June 12, 2008, in which the ISO advised that its governing board's approval encompassed a phased project development, commencing with the project facilities located in California. In that letter, the ISO urged the Commission to authorize SCE to construct the project facilities in California. The ISO's position was based on SCE's commitment to obtain approval for the Arizona portions of the project and the ISO's previous evaluation of the original project.

SCE is currently only requesting approval of the proposed project facilities in California, as described in SCE's amended petition for modification of Decision No. 07-01-040 filed in this docket on September 2, 2008, and revised pursuant to SCE's letter to the Commission dated May 15, 2009. This version of the project is different enough from the version of the project on which the prior ISO governing board approval was based that the economic justification for the prior

version of the project expressed in the ISO's June 12, 2008 letter is no longer applicable. The ISO pointed this out in its letter of June 19, 2009 to ALJ Kolakowski. In that letter, the ISO described the conditions that would need to be satisfied for the ISO to agree to the construction of the California portion of SCE's proposed project, including the construction of the proposed "Midpoint" substation. The ISO noted that the California portion of the project continues to provide operational and reliability benefits and that the ISO has identified the anticipated need for the project as a generation interconnection facility.

The ISO advised that this anticipated need for the project as a generation interconnection facility would provide the basis for the ISO's agreement to the construction of the California portion of the project, including the Midpoint substation, should the requirements set forth in the ISO's letter be met. In essence, these requirements consist of the following: (1) the ISO receives requests for interconnection to the Devers-Palo Verde No. 1 line in the amount of at least 1030 MW of full capacity generating facilities that meet further requirements specified in the ISO's letter; (2) the ISO has completed the interconnection studies for the plan of service for at least one of those proposed generating facilities in which the California portion of the proposed project, including the new Midpoint to Valley line, has been identified as needed network upgrade facilities to accommodate that generating facility; and (3) an interconnection agreement has been executed by a generating facility developer, SCE, and the ISO in which the California portion of the proposed project, including the new Midpoint to Valley line, has been identified as needed network upgrade facilities.

These requirements do not involve an express approval by the ISO's governing board. Generator interconnection requests are delivered to, and the oversight of generator interconnection studies is performed by, the ISO as an organization, and any resulting

interconnection agreement is executed by an officer of the ISO under authority delegated by the ISO's governing board. There is no provision in that process for a further direct approval by the ISO's governing board of these generator interconnection studies or the execution of generator interconnection agreements. The proposed decision does not recognize this difference in the ISO's approval process, however, as it includes language that would expressly require further approval of the California portion of SCE's project by the ISO's governing board.

The ISO requests that the Commission adopt a final decision that does not expressly require further approval of the California portion of SCE's project by the ISO's governing board but instead simply requires this further approval by the ISO. The ISO's requested revisions to the proposed decision are set forth below.

II. THE PROPOSED DECISION SHOULD BE REVISED SIMPLY TO REFER TO APPROVAL BY THE ISO, RATHER THAN BY THE ISO'S GOVERNING BOARD.

To recognize the difference in the ISO's approval process for the California portion of SCE's project, the ISO requests that the Commission revise the language of the proposed decision in adopting its final decision to refer to the "CAISO" rather than to the "CAISO Board" or "CAISO's board of directors" by making the following changes in the specified places in the proposed decision:

- Page 22: Delete "Board" from the title of Section 5.
- Page 22: Delete "Board" from the first sentence of the first paragraph of Section 5.
- Page 22: Delete "Board" from the third paragraph of Section 5.
- Page 23: Delete "Board" from the first sentence of the fourth paragraph of Section 5.
- Page 23: Delete "Board" from the second sentence of the fourth paragraph of Section 5.
- Page 29: Replace "CAISO's board of directors" with "CAISO" in Finding of Fact 18.
- Page 30: Replace "CAISO's board of directors" with "CAISO" in Conclusion of Law 6.
- Page 31: Delete "Board" from Conclusion of Law 12.
- Page 32: Replace "California Independent System Operator Corporation's board of directors" with "California Independent System Operator Corporation" in ordering paragraph 4.

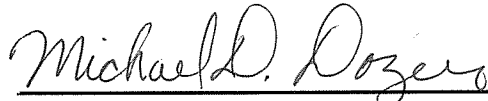
Attachment 1, page 3: Replace "CAISO's board of directors" with "CAISO" in Finding of Fact 43.

Attachment 1, page 10: Delete "board of directors" from Ordering Paragraph 34.

III. CONCLUSION

Because the ISO's approval process for the California portion of SCE's project is different than its approval process for the prior version of SCE's project, in that it does not involve express approval by the ISO's governing board, the ISO requests that the Commission adopt a final decision that simply requires further approval by the ISO without reference to the ISO's governing board.

Respectfully submitted,



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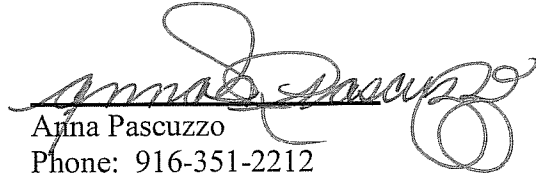
Attorney for the CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION

October 19, 2009

CERTIFICATE OF SERVICE

I hereby certify that I have served, by electronic and U.S. mail, the foregoing
Comments of the California Independent System Operator Corporation on the Proposed
Decision in Docket Number A.05-04-015.

Executed on October 19, 2009, at Folsom, California.


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