

March 18, 2014

Board of Governors  
California Independent System Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630

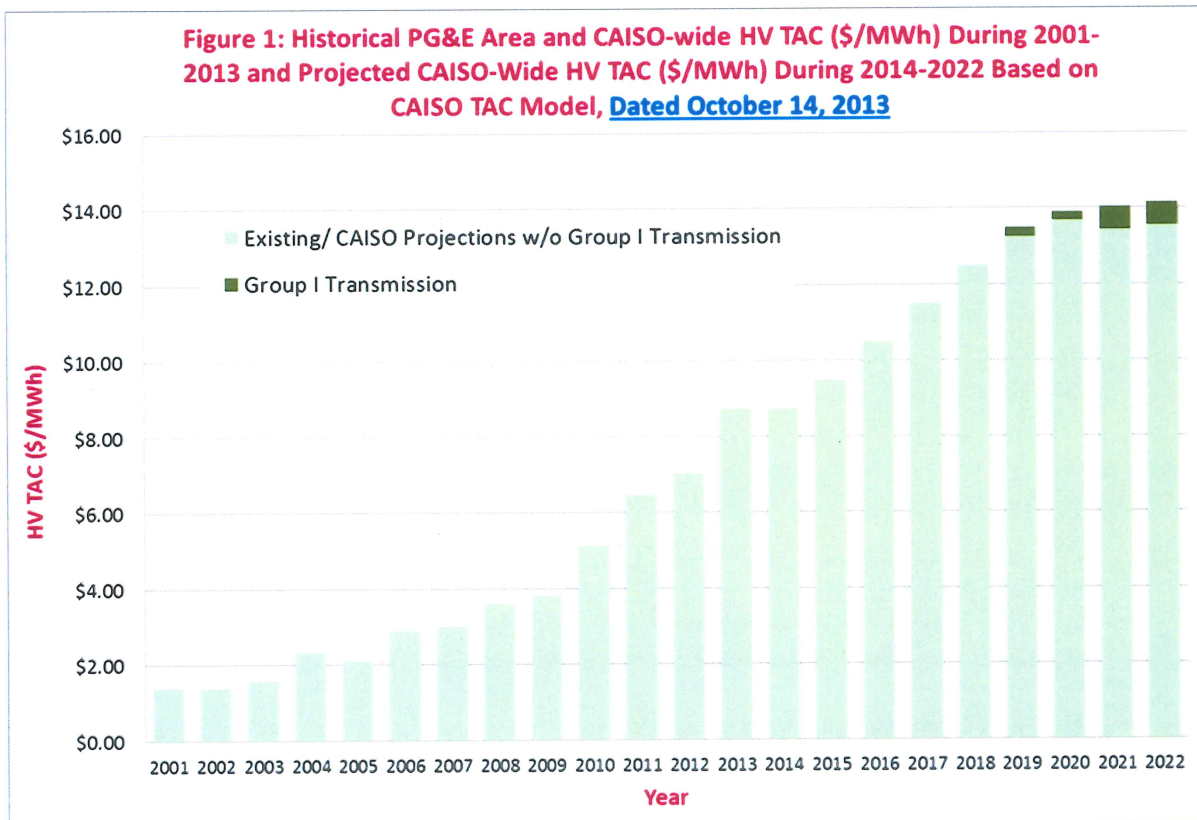


*Giving You the Power  
to Change the World*

Subject: Approval of the CAISO 2013/2014 Transmission Plan

Dear Board of Governors:

On behalf of the Bay Area Municipal Transmission Group (BAMx),<sup>1</sup> I wish to congratulate the CAISO management and staff for taking major steps forward to ensure a reliable transmission grid that meets the needs of the State's 33% renewable energy goal. We also wish to express our thanks for the efforts that have been made at the CAISO to improve coordination with other State agencies to ensure the development of electric generation and transmission facilities aligns with the State's loading order. We are also pleased to see that CAISO management and staff have developed and made publicly available a model for projecting increases in the High Voltage Transmission Access Charge (HV TAC) that are the result of transmission decisions the state has made or will likely make. See Figure 1 that includes the historical TAC as well as projections based on the CAISO TAC Estimation Tool.<sup>2</sup>



<sup>1</sup> BAMx consists of Alameda Municipal Power, City of Palo Alto Utilities, and City of Santa Clara, Silicon Valley Power.

<sup>2</sup> These projections use the CAISO's model dated October 2013, as the latest model is not made available to the stakeholders as yet. These projections may be higher than the CAISO projections as they use more updated capital cost associated with two projects, i.e., Coolwater-Lugo and West of Devers Upgrade.

Although we applaud these efforts, we request the CAISO go even further and through its efforts achieve a reliable, robust and **cost-effective** electric system. We are particularly concerned with the CAISO staff decision to approve transmission projects as needed to meet a stringent set of tests for "full deliverability." This requirement would require new transmission to be built for newly connected renewable resources to meet resource adequacy purposes while avoiding a determination as to whether the new transmission is the most cost-effective method to eliminate any deficiency. We believe transmission projects should be supported when they have been shown to economically reduce congestion or when they interconnect renewable power that is needed meet the State's 33% renewable portfolio goals. However, to date, such studies have not been completed prior to a determination by the CAISO that a transmission line is needed as a necessary "Policy driven upgrade."

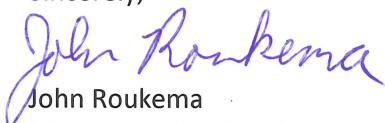
In addition, further study is needed prior to deciding which transmission projects are needed to assist the State in providing reliability to the LA Basin and San Diego in the wake of implementing the State's Water Board mandate to reduce once through cooling at power plants. The CAISO should go beyond even the substantial efforts completed in this planning cycle to evaluate whether preferred resources can fill the need beyond those already identified. We believe the study on the cost and impacts of these projects is commendable, but efforts should be expanded, as we have recommended in our comments on the Draft Transmission Plan.

In its planning process, the CAISO has grouped proposed transmission projects into three groups driven by policy, economics or for reliability needs. Staff is proposing the approval of the three reliability (Group I) projects, which are initially planned to cost \$994 million. History shows that the final cost of these projects could well be double the price of the planned costs. Staff has also recommended deferring approval of additional projects. As shown in Figure 1, the TAC impact attributed to only the Group I projects is more than \$0.60/MWh by 2022.

Whether it is economical to construct those transmission projects or to provide other preferred resources locally should be decided through the CPUC integrated need study process. As difficult as it is to coordinate the timing of decision making by the two entities, the CAISO is better positioned to accommodate changes in the timeline of its planning decisions than can the CPUC with its more formal processes. After The CAISO incorporates the CPUC decision on Track 4 and updates its recommendation to the Board regarding the Group 1 projects, we request that the CAISO Management hold one more stakeholder meeting before it brings its recommendation to the CAISO Board.

Although the CAISO has made progress in accounting for preferred resources in transmission planning, the effort is still in its early stage. We understand and applaud the CAISO decision to put additional resources into this effort in the next few months. We request the Board of Governors ask management and staff to come back with an amendment to this year's transmission plan after completing more work on accounting for preferred resources in the final decision on Track 4 of 2012 Long Term Procurement Plan (LTPP) as well as the scoping memo for 2014 LTPP.

Sincerely,



John Roukema  
Director of the Electric Utility  
City of Santa Clara/Silicon Valley Power

Cc: Steve Berberich  
Keith Casey  
Karen Edson