



California Independent
System Operator Corporation

NEWS RELEASE

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Contact: Stephanie McCorkle
Director of Communications
1 (888) 516-NEWS

California ISO Hails FERC Ruling on Multi-User Trunk Lines

Declaratory Order Gives Approval-in-Concept to New Transmission Financing Plan

(Folsom, CA) The Federal Energy Regulatory Commission (FERC) today granted the California Independent System Operator Corporation (California ISO) a Declaratory Order approving, in concept, a unique new financing tool that breaks down barriers facing renewable power development. The California ISO requested the Declaratory Order in January in an effort to clear the way for environmentally-friendly energy to gain access to the grid and help the state reach its clean air goals.

More than 4,000 megawatts of new renewable generation is proposed for California and it will go a long way toward meeting the state's Renewables Portfolio Standard (RPS)—if the green power can get on the grid. The issue is that new wind, geothermal or solar resources are located in remote areas where there are no power lines to transport the environmentally-friendly electrons to the transmission grid.

Currently, new power plant owners are responsible for shouldering the costs of building “transmission trunklines” to the greater grid. This is prohibitive for smaller renewable developers who cannot obtain the level of financing to cover the upfront investment. As a result, multi-user trunklines projects needed to reach a string of wind farms or other remotely located power generation projects are stopped in their tracks because financing a high-voltage line is too costly for most small generation developers.

Commission Chairman Joseph T. Kelliher said in a statement following the decision, “Our action today is fully consistent with national energy policy.” Other commissioners also provided strong support.

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"The successful integration of renewable power is fundamental. I commend the California ISO and stakeholders for groundbreaking work that will become a model for others in the industry," said FERC Commissioner Suedeen Kelly today.

FERC Commissioner Philip D. Moeller stated, "The nation needs additional transmission infrastructure and an increased diversity of generation resources for participation in wholesale energy markets."

Today's Declaratory Order allows the ISO to move forward with a hybrid financing method available to smaller power plant owners. The upfront costs for building the power lines will be provided by utilities that will be reimbursed at a later date after the renewable projects are on line and generating revenue for their power. The California Public Utilities Commission (CPUC) said it was pleased with today's decision.

"One of the challenges we face in achieving our RPS goals is developing the transmission required to access remote concentrations of renewable resources," said CPUC President Michael R. Peevey. "With this change, FERC has effectively harmonized its cost recovery rules with the realities of renewable energy development in the state."

"The power line financing mechanism removes a significant obstacle blocking the development of renewable resources," said ISO President and CEO Yakout Mansour. "FERC recognized the wisdom of finding a creative way to help alternative energy suppliers connect to the grid. It is all a part of leveling the playing field for green power generators and guaranteeing their non-discriminatory grid access. They still pay their fair share, but the costs are spread and appropriated based on when the green power comes on line."

The California ISO sought the Declaratory Order to get initial guidance from FERC. With today's green light from FERC, the ISO will move quickly to bring together stakeholders to craft a more detailed proposal that incorporates FERC direction.

"Our stakeholders give us spirited and passionate input, and we are counting on the same on this issue," Manager of Regulatory Policy Development Greg Cook. The goal is to get a final proposal filed with FERC before the end of this year.

The California ISO is a not-for-profit public benefit corporation charged with managing the flow of electricity along California's open-market wholesale power grid. The mission of the California ISO is to safeguard the reliable delivery of electricity, and ensure equal access to 25,000 circuit miles of

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"electron highway." As the impartial operator of the wholesale power grid in the state, the California ISO conducts a small portion of the bulk power markets. These markets are used to allocate space on the transmission lines, maintain operating reserves and match supply with demand in real time.

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