

**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)

**NOTICE OF EX PARTE COMMUNICATION  
OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR**

In accordance with Article 8 of the Commission's Rules of Practice and Procedure, the California Independent System Operator Corporation ("ISO") submits this notice of a written ex parte communication.

On June 19, 2009, Michael Dozier, Senior Counsel of the ISO, delivered the attached written correspondence to Commission Administrative Law Judge Victoria Kolakowski. In the letter, Mr. Dozier describes the conditions that would need to be satisfied for the ISO to agree to the construction of the California portion of Southern California Edison Company's ("SCE's") Devers-Palo Verde No. 2 Transmission Line Project as well as to the construction of the proposed "Midpoint" substation as set forth 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.

Copies of this notice may be obtained by contacting Anna Pascuzzo by telephone at (916) 351-2212 or by e-mail at [apascuzzo@caiso.com](mailto:apascuzzo@caiso.com).

Respectfully submitted,

/s/ Michael D. Dozier  
Michael D. Dozier, Senior Counsel  
California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom California 95630  
Tel. (916) 608-7048  
Fax. (916) 608-7222  
Email: [mdozier@caiso.com](mailto:mdozier@caiso.com)

Attorney for the CALIFORNIA INDEPENDENT  
SYSTEM OPERATOR CORPORATION

June 19, 2009

June 19, 2009

The Honorable Victoria S. Kolakowski  
Administrative Law Judge  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

***Via Electronic and US Mail***

Re: Conditions for ISO Agreement to Construction of California Portion of Devers-Palo Verde No. 2 Transmission Project (A.05-04-015)

Dear Judge Kolakowski:

The California Independent System Operator Corporation has reviewed Southern California Edison Company's request that the California Public Utilities Commission approve construction of the California portion of the Devers-Palo Verde No. 2 transmission project. The ISO's review is based on the description in SCE's amended petition for modification filed in this proceeding on September 2, 2008, as revised pursuant to SCE's letter of May 15, 2009 to the Commission.

In its letter, SCE indicated that circumstances have changed, affecting the economic benefits previously identified for this project. As a result, SCE has requested approval to construct the portion of the project that terminates at a new "Midpoint" substation in California in the Blythe area near the Colorado River. The ISO recognizes the complexity associated with responsible decision making regarding long-term projects like this one and commends SCE for its reexamination of the project and the updated evaluation of benefits.

The ISO has reviewed the proposed California portion of the project and takes this opportunity to advise the Commission of the evaluation the ISO will undertake in determining whether to agree that construction of this portion of the project is necessary infrastructure to interconnect generating facilities currently in the ISO's interconnection queue.

The ISO's governing board approved the construction of the original version of the Devers-Palo Verde No. 2 transmission project in 2005 based on the economic and reliability benefits and operational flexibility of the project. 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.

As SCE is currently only requesting approval of the proposed project facilities in California, the economic justification for the project expressed in the ISO's June 12, 2008 letter is no longer applicable. Nevertheless, the California portion of the project continues to provide operational and reliability benefits, and the ISO has identified the anticipated need for the project as a generation interconnection facility, which provides the basis for the ISO's agreement to the construction of the California portion of the project, should the requirements below be met.

The ISO is responsible for studies to determine the facilities needed to interconnect a new generating facility to the transmission system under the ISO's operational control. At the conclusion of the interconnection study process, the ISO is required by Section 11 of Appendices U and Y of the ISO tariff to enter into a Large Generator Interconnection Agreement (LGIA) for the generating facility. The LGIA is required to describe the facilities to be constructed to interconnect the new generating facility, including any necessary upgrades to the transmission system, and the responsibility for the costs of these facilities.

The ISO anticipates that the California portion of the project will be an important facility in furtherance of state goals regarding the long-term acquisition of power from renewable energy resources. The ISO's queue for requests for interconnection in the Blythe area near the proposed new Midpoint substation contains eleven requests for interconnection of proposed renewable resource generating facilities, totaling 4900 megawatts (MW). The ISO's studies show that the California portion of the project, along with additional complementary upgrades that could be built in later stages (depending on the number of renewable generating facilities ultimately developed), are the most effective means by which to deliver the generation from these proposed new facilities to load in California. In addition, there are interconnection requests in the ISO's queue for 1210 MW of proposed new conventional gas-fired generation in the Blythe area, resulting in a total of 6110 MW of interconnection requests for the Blythe area.

The discussion below focuses on the two main elements of the California portion of the project: the Midpoint substation, and the Midpoint-Valley transmission line.

### **Midpoint substation**

The ISO's studies continue to indicate that a new Midpoint substation is needed for any new generating facility requesting to interconnect to the existing Devers-Palo Verde No. 1 line in the Blythe area. Based on the ISO's interconnection studies, this new

substation will be identified as a needed facility connecting to the Devers-Palo Verde No. 1 line for the first project to reach the point of executing an LGIA. The substation is also a critical element for interconnection to the California portion of the proposed Devers-Palo Verde No. 2 transmission line.

### **Midpoint to Valley transmission line**

The ISO has studied the impacts on the transmission system of the new generating facilities proposing to interconnect to the existing Devers-Palo Verde No. 1 line in the Blythe area near the Colorado River. The ISO's studies have determined that the interconnection of 1030 MW of new full capacity generating facilities to the Devers-Palo Verde No. 1 line in the Blythe area near the Colorado River would trigger the need for construction of the new Midpoint to Valley transmission line in order for the generation from those facilities to be fully deliverable.

Based on this assessment, the ISO would agree to construction of the California portion of the project that includes a second line from Midpoint substation to Valley substation once the following have occurred:

- (1) any combination of the following have occurred for requests for interconnection to the Devers-Palo Verde No. 1 line in the amount of at least 1030 MW of full capacity generating facilities:
  - (a) LGIAs have been executed by generating facility developers, SCE, and the ISO pursuant to Section 11 of Appendix U or Y of the ISO tariff; or
  - (b) the ISO has received the initial posting of interconnection financial security by generating facility developers pursuant to Section 9.2 of Appendix Y (subject to Section 6 of Appendix 2 of Appendix Y) of the ISO tariff; and
- (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 Devers-Palo Verde No. 2 project, including the new Midpoint to Valley line, has been identified as needed network upgrade facilities to accommodate that generating facility, pursuant to Section 8 of Appendix U or Section 7 of Appendix Y of the ISO tariff, and
- (3) an LGIA has been executed by a generating facility developer, SCE, and the ISO pursuant to Section 11 of Appendix U or Y of the ISO tariff 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 the generating facility for which the LGIA has been executed.

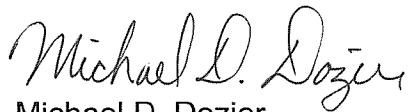
The Honorable Victoria S. Kolakowski

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If you have any questions or would like the ISO to elaborate on any of its findings, please let me know.

Sincerely,



Michael D. Dozier  
Senior Counsel

cc: Service list for A.05-04-015

## CERTIFICATE OF SERVICE

I hereby certify that I have served, by electronic and U.S. mail, the foregoing Notice Of Ex Parte Communication of the California Independent System Operator Corporation in Docket Number A.05-04-015.

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

*(s/Anna Pascuzzo*

Anna Pascuzzo  
Phone: 916-351-2212  
Email: [apascuzzo@caiso.com](mailto:apascuzzo@caiso.com)