

## Via Electronic Mail

May 17, 2010

California ISO Board of Governors  
Mason Willrich, Chair  
151 Blue Ravine Road  
Folsom, CA 95630

Re: May 18<sup>th</sup> Board Meeting: Agenda Item 6, Revised Transmission Planning Process

Dear Chair Willrich and Members of the Board of Governors:

We the undersigned are writing to express our concerns about an item on your decision agenda for the May 18<sup>th</sup> CAISO Board meeting – Revised Transmission Planning Process. The CAISO has undergone an extensive nine month stakeholder process to develop an approach that would help support the State’s 33 percent Renewable Portfolio Standards (RPS) by adding a new category of transmission projects that will facilitate the expansion of the electric grid and integrating such expansion as part of the CAISO’s current transmission planning process. However, the majority of this debate has been around who gets to build transmission. Very little attention has been paid to the details of the changes to the Tariff needed to accommodate the 33% renewables goal as envisioned at the start of the process. Proposed tariff revisions were made available to the stakeholders on May 5<sup>th</sup> and a stakeholder conference call was conducted on May 12<sup>th</sup>.

**More time is needed to fully discuss these issues before the Board takes action.**

One concern we have is the lack of attention paid to minimizing the cost of proposed transmission additions to the transmission infrastructure. In terms of Tariff language, you need to recognize the enormity of the task before you: “how best to accommodate the goal of connecting 33% renewables by 2020.” When this goal by itself may lead to the massive cost increases envisioned, the task deserves all of your attention.

Early studies indicate that in just a year or two the CAISO may approve an incremental investment to the transmission system that would triple the cost of high voltage transmission (the high voltage transmission access charge (TAC)) for all CAISO load serving entities, including the cities we represent. Concern over this significant cost increase will need to be addressed by developing a “least regrets” transmission plan in an environment of massive uncertainty. Rushing to implement this incomplete and vague Tariff will only add to the uncertainty. After spending many months on just some aspects of achieving that goal, do not prematurely implement tariff changes that use such broader terms as “state and federal policies”, “state and federal directives”, and “state and federal policy goals”. We are concerned that the overly broad language in the tariff will unduly increase the authority of the CAISO Board and/or staff in deciding what the state and federal policy requirements are, and whether to spend billions of dollars on transmission that is not justified on reliability or on economic grounds as provided in the existing tariff or needed to meet the 33% renewable goal by 2020. We recommend the expansion of justification for transmission investment to include meeting a 33% renewables goal be

clearly and narrowly articulated in the tariff as opposed to the use of broad terms such as "state and federal policies."

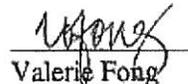
We would encourage the Board to direct Staff to find ways to use the obvious competitive environment in ways that will benefit all CAISO TAC ratepayers including our cities. As indicated, the focus of much of the debate over achieving the 33% goal has been on who gets to build this enormous increase in transmission infrastructure. There is clearly a broad spectrum of entities looking to invest their capital in transmission. The current policy before you does very little, if anything, to use this competition to reduce the cost to ratepayers of the massive additions contemplated. While we recognize that planning level costs estimates are preliminary indicators to actual construction costs incurred, the CAISO tariff could include other demonstrated advantages a project sponsor may have to build the project. Other evaluation criteria could include a project proponents' ability to manage and control construction costs, minimize its return and operating and maintenance costs, etc, thereby minimizing its requested overall revenue requirements that all TAC ratepayers must ultimately pay.

We request that the Board directs the CAISO management to continue the stakeholder process until at least the next Board meeting and make the necessary changes to the tariff to address our concerns before filing the revised transmission planning process tariff provisions at FERC.

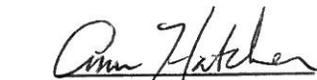
Sincerely,



Girish Balachandran  
Utility Director  
Alameda Municipal Power  
City of Alameda



Valerie Fong  
Utility Director  
City of Palo Alto Utilities  
City of Palo Alto



For John Roukema  
Utility Director  
Silicon Valley Power  
City of Santa Clara

Copy:

Yakout Mansour, President and CEO, CAISO  
Laura Doll, Board Member  
Robert Foster, Board Member  
Tom Habashi, Board Member  
Kristine Hafner, Board Member