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May 11, 2012

Chairman Robert Weisenmiller, Ph.D
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Commissioner Michael Florio
California Public Utilities Commissioner
505 Van Ness Avenue
San Francisco, CA 94102

Dear Chairman Weisenmiller and Commissioner Florio:

Subject: Proposed Policy Element Addition to Transmission Policy Planning

Following up on conversations I have had with Karen Edson of the California Independent System Operator (CAISO), I am writing to suggest an important policy-driven element that should be added to the CEC's and CPUC's submittal to the CAISO as it undertakes this year's transmission planning process (TPP).

As general manager of Imperial Irrigation District (IID), I ask that you consider adding a switchyard facility immediately to the north of the existing Imperial Valley (IV) Substation as an important policy-driven element to enhance the ability to develop solar projects being developed in the area. Addition of the policy driven element to the TPP will not only remove an impediment to the continued objective of effectively and efficiently meeting the state's 33 percent renewable portfolio standard (RPS), but it also provides an initial first step toward improving overall grid reliability. This letter describes the project and provides the rationale for adding this policy driven element to the TPP.

The Imperial Valley is an ideal location for the future development of renewable resources. Geothermal resources along the Salton Sea, intense sunlight, as well as many thousands of acres of disturbed agricultural land make the region ideally suited for renewables. Unfortunately, addressing who pays for required transmission upgrades to access this region has long been an obstacle. This is an issue I will want to discuss with you further in the near future.

In addition, other issues, such as how Resource Adequacy (RA) is accorded to projects delivering energy from IID across the intertie has contributed to the IOUs entering into virtually no Power Purchase Agreements (PPAs), thereby impeding development of such projects.

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On June 7, 2011, the CPUC issued an order attempting to address the RA issue:

> "It is unreasonable for Pacific Gas and Electric Company, Southern California Edison Company, and/or San Diego Gas & Electric Company to use a maximum import capability of less than 1,400 MW for imports from projects within the Imperial Irrigation District Balancing Authority Area as part of the evaluation of projects and bids within the 2011 Renewables Portfolio Standard solicitation currently underway pursuant to Decision 11-04-030."

See Assigned Commissioner Ruling Regarding Resource Adequacy Value of RPS Projects in the Imperial Irrigation District Balancing Authority Area, available at: http://docs.cpuc.ca.gov/efile/RULINGS/136670.pdf. In reaching this decision, the CPUC relied upon the ISO's revised, forward-looking maximum import capability calculation process, the planned transmission capabilities inside the ISO footprint, and the renewable generation portfolios provided to the ISO by the CPUC staff. Id.

In addition, the Commission relied upon the intentions and ability of IID to upgrade its transmission system to support greater export from IID to the ISO footprint:

> "Finally, an additional factor to consider when assessing the RA capacity reasonably applied to resources located outside the ISO BAA is planned transmission upgrades that would allow exports to the ISO. **In particular, IID is prepared to upgrade to its transmission system to support greater export capability.** This approach by IID and the transmission included in the ISO's 2010-2011 plan indicate that historic flows between IID and the ISO are not a good proxy for the flows that would be observed in coming years if additional RPS-eligible generation were to be developed in the IID BAA. The IOUs should take this into account as they assess the long-term RA value of projects from the IID BAA."

Id. (emphasis added.).

Despite these efforts, the IOUs have still signed virtually no PPAs with developers with projects in IID. Instead, with limited exceptions, the IOUs focused on signing PPAs with projects in close proximity to the IV Substation, thereby bypassing the IID Balancing Authority entirely. Without projects connecting to IID, it lacks the upfront funding mechanism to undertake the necessary upgrades to support greater export capability

One of those upgrades is the development of a collector switchyard to the north of the IV Substation (the IV Collector Switchyard), which will provide a means to interconnect multiple projects under development as well as tie in the existing S line and a new line coming from IID's existing Dixieland Line. This project would increase IID's export capacity.

The CAISO suggests it may be possible to build upon the existing policy directive to reflect current circumstances with respect to progress associated with the development of this generation targeted to meet the state's 33 percent RPS. The following language was prepared by the CAISO for this purpose without input from the CPUC. This suggested language does not reflect the views of the CPUC and, in any event, would need to be reflected in a state policy directive for the CAISO to consider how it would support such a directive.

> In its June 4, 2011 decision, the Commission found that it would be unreasonable for Pacific Gas and Electric Company, Southern California Edison Company, and/or San Diego Gas & Electric Company to use a maximum import capability of less than 1,400 MW for imports from projects within the Imperial Irrigation District Balancing Authority Area as part of the evaluation of projects and bids within the 2011 Renewables Portfolio Standard solicitation. In coming to that conclusion, the Commission relied upon the ISO's revised, forward-looking Maximum Import Capability calculation process, the planned transmission capabilities inside the ISO footprint, the renewable generation portfolios provided to the ISO by the Commission staff, and the intentions and ability of IID to upgrade its transmission system to support greater export from IID to the ISO footprint.
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> The Commission now understands that, in the case of renewable generation development in the region north of the Imperial Valley substation, that the cost of IID reinforcements recovered from generation development in the area, may be a further impediment to the development of these renewable generation resources. The Commission therefore considers, in light of the continued objective of effectively and efficiently meeting the state's 33 percent RPS goals, in part, through the delivery of at least 1,400 MW of renewable generation from IID, that the ISO pursue additional transmission reinforcements into the region to enable access to this generation. This development should be considered necessary as part of meeting the state's 33 percent RPS.

IID believes there is a need for substantial additional upgrades to meet the state's RPS goals. Including the IV Collector Switchyard as a policy element in the TPP will enhance access to the renewable projects under development and provide reinforcements to the grid which will, when coupled with additional upgrades IID has in mind, provide reliability benefits to the CAISO grid as well.

Sincerely,

Kevin E. Kelley
General Manager