California ISO
Shaping a Renewed Future

California Independent System Operator Corporation

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California Energy Commission
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Honorable Jim Costa
Member of Congress
1314 Longworth Building
Washington, DC 20515

Honorable Devin Nunes
Member of Congress
1013 Longworth Building
Washington, DC 20515

Honorable Sam Farr
Member of Congress
1126 Longworth Building
Washington, DC 20151

Honorable Jeff Denham
Member of Congress
1730 Longworth Building
Washington, DC 20515

Honorable Zoe Lofgren
Member of Congress
1401 Longworth Building
Washington, DC 20515

Honorable David Valadao
Member of Congress
1004 Longworth Building
Washington, DC 20515

Dear Representatives Costa, Farr, Lofgren, Nunes, Denham, and Valadao:

I am writing in response to your December 17, 2014 letter to Steve Berberich expressing support for the Western Area Power Administration's proposed development of a 62-mile, 500kV transmission project linking the Tracy and Los Banos electric substations in the San Joaquin Valley ("San Luis Transmission Project," or "SLTP").

By way of background, the California Independent System Operator Corporation (ISO) is a non-profit, public benefit corporation regulated by the Federal Energy Regulatory Commission (FERC). The ISO prepares a comprehensive annual transmission plan for its balancing authority area, which includes approximately 80% of California and a small part of Nevada. The ISO's plan, prepared in accordance with its FERC tariff, evaluates the needs of the entire system rather than examining projects on an individual basis. This helps ensure that approved transmission solutions are robust and meet system capacity needs as efficiently as possible. A central premise of the analysis is that approved projects must provide sufficient benefits to merit the costs that would be recovered from the ISO's transmission ratepayers.

In assessing the benefits of candidate transmission projects, the ISO incorporates information provided by proposed project developers and stakeholders as well as data provided through other processes. These include the California Public Utility Commission's Long Term Planning Process proceedings, the California Energy Commission's Integrated Energy Policy Report's

electricity demand projections, and databases prepared by the Western Electricity Coordinating Council. The ISO develops unified planning assumptions and holds ongoing stakeholder meetings throughout the 16-month transmission planning process. The ISO's analysis includes detailed technical studies that comprehensively evaluate the electricity reliability and economic benefits of proposed projects in relation to their costs as well as the utility of projects in meeting identified policy objectives, such as providing access to preferred resources to meet established state goals. The process is consistent with the ISO's obligation, under its FERC-approved tariff, to ensure just and reasonable rates for ISO customers.

The ISO's 2014-15 transmission plan results, which were released in a stakeholder meeting in draft form in mid-November, 2014 (http://www.caiso.com/Documents/Day2-2014-2015TransmissionPlanningProcessStakeholderMeetingNov19-202014.pdf), have not identified the need for any additional capacity on the Tracy-Los Banos path. As the existing transmission system has been and remains capable of meeting the needs of the Bureau of Reclamation, we believe the project would be duplicative and un-economical for the state overall and would result in shifting costs to other ISO transmission customers without commensurate benefits to those customers. We have expressed these concerns both to Western Area Power Administration staff and other proponents.

The San Joaquin Valley transmission resources, like all of the Central Valley transmission lines, are very important assets to California and the entire Western grid. While current and previous studies have not found sufficient economic justification to move forward with the SLTP proposal, I assure you that the ISO will continue to consider the project in the 2015-16 transmission planning cycle, incorporating new information as available.

Thank you for your interest in the ISO's planning process and the proposed SLTP project. Please feel free to contact me or Terri Moreland, our Director of Federal Affairs (tmoreland@caiso.com), if you need additional information.

Best regards and warm wishes for the New Year.

Sincerely,

Keith E. Casey, Ph.D.
Vice President, Market and Infrastructure Development