

**California Transmission Planning Group (CTPG)
Technical Study Team Response to
Comments by The Nevada Hydro Company (TNHC) on
CTPG's draft Phase 4 Study Plan**

TNHC Comment:

The Nevada Hydro Company (NHC) has reviewed the CTPG Phase 4 Study Plan (Study Plan) issued October 14, 2010. NHC has commented previously on the disgraceful conduct of CTPG activities under the guise of Order 890 compliance. NHC comments submitted in every previous phase of CTPG activities have been ignored by CTPG. As noted, NHC engineers have run the TE/VS power flows on the cases contained in your reports, with the proper base case data, as set forth in FERC Dockets ER06-278, ER08-654, and our approved studies. NHC also relied upon the following:

1. Reports from the California ISO, including CSRTP, STEP and the Kiel report.
2. WECC reports and analyses.
3. The California Public Utilities Commission's Valley Rainbow Alternatives Report.
4. The Federal Energy Regulatory Commission Final Environmental Impact Statement for LEAPS in FERC Docket P-11858-002
5. The CPUC Final Environmental Impact Report issued for the Sunrise Project.

NHC has again found CTPG Phase 4 Study Plan as it "relates" to the TE/VS Project to be disingenuous, fictitious, discriminatory, non-compliant with FERC Order 890, and with FERC RM10-23-000. This Study Plan is also inconsistent with findings contained in the above studies and FERC's 1221a Critical Congestion Area study, CEC Transmission Reports, CREZ Planning, and RETI Planning.

As you are by now well aware, because no Independent Project has been evaluated fairly in your reports, and all Utility Projects were given good results, it is my personal belief that this is just another attempt by SDG&E/CAISO to use their position of power and reputed independence to create an unfair advantage--thereby picking winners and losers for transmission development in California. SDG&E and the California ISO are discriminating against the Independent Transmission developers, plain and simple. This is proven statistically, if by no other means: how many independent projects have been approved (zero) and how many utility sponsored projects have been approved (all).

As it applies to the Independent Transmission Developer-sponsored projects, I wonder:

- Where is CAISO Tariff Section 24?
- Where is FERC Order 890 and RM10-23-000?
- Who empowered CTPG to pick winners and losers under the current CAISO Tariffs?

- Where was the transparency or impartial third party to protect our interests?
- Where is our 'Safe Harbor' under RM-23-000?
- Why was a fictitious ROFR applied to Independent Projects?"

CTPG Technical Study Team Response:

The CTPG Technical Study Team does not agree with TNHC's belief that comments submitted by the TNHC "in every previous phase of CTPG activities have been ignored by CTPG." In fact, the CTPG Technical Study Team has considered all of TNHC's comments and has provided written responses to those comments. These responses are posted on the CTPG website at "www.ctpg.us".

The CTPG Technical Study Team does not accept TNHC's characterization that the power flow cases that TNHC's engineers have run utilize "the proper base case data." TNHC indicates that this data is "set forth in FERC Dockets ER06-278, ER08-654, and our approved studies." FERC Docket ER06-278 concerns the FERC-jurisdictional rate incentives for the combined Talega-Escondido/Valley-Serrano (TE/VS) – Lake Elsinore Advanced Pumped Storage (LEAPS) project. FERC Docket ER08-654 concerns the unexecuted Large Generator Interconnection Agreement between TNHC, the CAISO and SDG&E for the combined TE/VS-LEAPS project. Exactly what TNHC is referring to in its reference to "approved studies" is not indicated, however, the CTPG Technical Study Team does not believe that the TE/VS-LEAPS project has received any formal approvals obligating the CTPG, either as a matter of law or technical precision, to use a particular set of "base case data" in the CTPG's power flow cases that evaluate the TE/VS project.

TNHC indicates that it has "also relied upon" reports from the California ISO (specifically the California South Regional Transmission Planning effort (CSRTP) and reports prepared by former California ISO employee John Kyei), from the Southwest Transmission Expansion Planning (STEP) process, WECC reports and analyses, the CPUC's review of the proposed Valley-Rainbow transmission project, the Final Environmental Impact Statement (FEIS) prepared by the FERC and the U.S. Forest Service for the combined TE/VS-LEAPS project (FERC Docket P-11858-002), and the Final Environmental Impact Report prepared by the CPUC for the approved Sunrise Powerlink project. However, TNHC does not indicate what information in these documents is relevant to the CTPG's evaluation of the TE/VS transmission alternative under the terms and protocols of the CTPG study methodologies. The TNHC is encouraged to identify the specific information from these documents that should be inputted to the CTPG power flow models to produce more accurate results.

The CTPG Technical Study Team does not agree with TNHC that the treatment of the TE/VS transmission alternative in the CTPG's draft Phase 4 Study Plan is "disingenuous, fictitious, discriminatory, non-compliant with FERC Order 890, and with FERC RM10-23-000 [FERC's transmission planning and transmission cost allocation Notice of Proposed Rulemaking (NOPR)]" or that the draft Phase 4 Study Plan is "inconsistent with findings contained in the above studies and FERC's 1221a Critical Congestion Area study, CEC Transmission Reports, CREZ Planning, and RETI Planning." These bare assertions provide no useful guidance to the CTPG Technical Study Team. For example, with respect to the FERC Notice of Proposed Rulemaking (FERC Docket No. RM10-23) referenced in the comments, that matter remains

pending before the FERC and is currently inapplicable to the CTPG's transmission-planning processes, or any other planning processes for that matter. Along these same lines, it is also not clear how the draft Phase 4 Study Plan is "inconsistent with findings" in FERC's 1221a Critical Congestion Area study, findings in the reports on transmission of the California Energy Commission or any findings made by RETI. TNHC does not explain which "findings" are inconsistent with which statements in the draft Phase 4 Study Plan. The CTPG Technical Study Team does not know what TNHC means by "CREZ Planning" so is unable to address TNHC's allegation that the draft Phase 4 Study Plan is inconsistent with "CREZ Planning." As a general matter, it is hard to see how a study plan can be inconsistent with "findings" since the results of the studies described in the study plan are not known until the study plan is executed and the studies are completed.

The CTPG Technical Study Team disagrees with TNHC's claim that transmission alternatives suggested by stakeholders have not been "evaluated fairly." The power flow analyses used to evaluate the transmission alternatives suggested by stakeholders are performed in exactly the same manner used to identify the other transmission infrastructure additions identified by the CTPG in the Phase 1, Phase 2 and Phase 3 work. Further, TNHC does not indicate which "Utility Projects" were given "good results" and does not explain what TNHC considers a "good result" to be.

TNHC alleges that SDG&E and the CAISO are using "their position of power and reputed independence to create an unfair advantage--thereby picking winners and losers for transmission development in California." The CTPG does not control, represent, or speak for San Diego Gas & Electric or the California ISO and the CTPG cannot therefore respond to TNHC's allegations regarding these two entities. However, the CTPG reminds TNHC that the CTPG itself has no authority to approve the construction of any proposed transmission project, *i.e.*, the CTPG has no ability to pick winners and losers among project sponsors competing to build transmission, a position the CTPG has reflected in virtually every communication the CTPG has had with TNHC in particular and its other stakeholders in general.

With respect to the questions TNHC poses regarding the transmission alternatives suggested by independent transmission developers, the CTPG technical study team offers the following responses:

- California ISO tariff Section 24 describes the California ISO's transmission planning process and sets forth the procedures by which the California ISO will determine whether a proposed transmission project's costs can be recovered through the California ISO's Transmission Access Charge (TAC) mechanism. As an independent study organization, the CTPG pursues its studies and performs them outside the purview of those tariff provisions. Moreover, the CTPG's organizational guidelines provide that the CTPG conducts its activities without regard to individual balancing authorities' practices and procedures, *i.e.*, whether a transmission project sponsored by an independent transmission developer is included in the California ISO's transmission planning process, or whether the costs of such a project can be recovered through the California ISO's TAC mechanism, is outside the scope of the CTPG's activities;
- The CTPG Technical Study Team believes that CTPG's activities are consistent with certain of the planning principles articulated in FERC Order No. 890. While the CTPG's study work to date does not include the full scope of analysis described in FERC Order No. 890 (*e.g.*, dispute resolution and economic analysis of proposed transmission infrastructure additions relative to wires- and non-wires alternatives), it does provide for coordination and regional participation

among California's regional transmission-planning entities, openness and transparency, information sharing, and comparability of analysis across different transmission expansion options.

- The CTPG has no authority to approve the construction of proposed transmission projects and has never purported to hold this authority. Accordingly, TNHC's question as to "who empowered CTPG to pick winners and losers under the current CAISO Tariffs" is misguided.
- Contrary to the implication of TNHC's question, the CTPG Technical Study Team believes that the CTPG is conducting its affairs in a "transparent" manner. The CTPG conducts an open stakeholder process and stakeholder input is welcome at any time. The CTPG considers and responds to comments and posts the comments and responses on the CTPG's public website. Since the CTPG does evaluate transmission alternatives suggested by stakeholders, and since the CTPG has no authority to approve proposed transmission projects, it is unclear why TNHC believes an "impartial third party" is needed to protect the interests of independent transmission developers.
- The CTPG Technical Study Team does not understand TNHC's reference to "a fictitious ROFR [Right of First Refusal] applied to Independent Projects." As noted above, the CTPG has no authority to approve the construction of proposed transmission projects and therefore has no ability to provide any entity with a right of first refusal to build and own any transmission facility.