

CALIFORNIA
TRANSMISSION
PLANNING
GROUP



January 3, 2011

Rexford J. Wait
Vice President, The Hydro Company
2416 Cades Way
Vista, California 92083

Dear Mr. Waits,

RE: Your Letter of December 21, 2010

On behalf of the California Transmission Planning Group (CTPG), I am writing in response to your letter of December 21, 2010, which concludes with your statement that The Nevada Hydro Company "...withdraws any support for, or participation with, CTPG."

As the Chairman of the Executive Management Committee of the CTPG, it is my hope that The Nevada Hydro Company, and all other interested parties, would continue to contribute their expertise and information so as to inform the proceedings and studies conducted by the CTPG. The CTPG has the mission of providing information vital to the planning of a reliable, safe and economic transmission system capable of meeting the state's Renewable Portfolio Standard goals.

The participation of stakeholders contributes significantly to our ability to meet this objective. As you know, the Federal Energy Regulatory Commission (FERC) recently had occasion to "encourage interested parties to avail themselves of [the] numerous opportunities to participate" in the transmission-planning processes conducted by both the CTPG and the California Independent System Operator (California ISO). See *Order Conditionally Accepting Tariff Revisions and Addressing Petition for Declaratory Order*, in Docket Nos. ER10-1041-000, *et al.*, at p. 15. The Commission found that the CTPG's planning processes are "generally open and transparent" and that the CTPG's work is "beneficial to the region". We share these achievements with our stakeholders, including those who bring what you have called "spirited debate" to our processes. Thus, I hope you reconsider your decision and that The Nevada Hydro Company continues to engage with the CTPG and our other stakeholders as CTPG's 2011 planning processes and studies proceed.

With respect to your claims that "[the] CTPG's actions are disingenuous, fictitious, discriminatory, [and] non-compliant with FERC Order 890, and with FERC RM10-23-000", I reiterate the responses we have provided to you previously. First and foremost, the CTPG disagrees with your belief that comments submitted by The Nevada Hydro Company "in every previous phase of CTPG activities have been ignored by CTPG." The CTPG Technical Study Team has considered all of your substantive, technical comments. They have provided you with

written responses to those comments. These responses are posted on the CTPG website at www.ctpg.us and are summarized below.

As has been previously explained, some of the criticisms you have of the CTPG studies are the result of the differences between the assumptions and study methodologies used by the CTPG and your own engineers. The CTPG Technical Study Team simply disagrees with The Nevada Hydro Company's characterization that there is an exclusive – “proper” in your words – set of “base case data” that must be used in the power flow cases in which your projects are evaluated. In fact, accepted transmission practice requires evaluation of multiple system conditions and assumptions and there is no one “proper” set of base case data for which all studies for one project must be conducted. While you indicate that the data upon which you rely are “set forth in FERC Dockets ER06-278, ER08-654, and our approved studies”, we could not find anything approximating your references to “approved studies”. As described in our study plans, the CTPG Technical Study Team utilized data and assumptions appropriate to CTPG's studies. In any event, we disagree that the Talega-Escondido/Valley-Serrano Interconnect and Lake Elsinore Advanced Pumped Storage projects have received any formal approvals obligating the CTPG, either as a matter of law or good engineering practice, to use a particular set of “base case data” in the CTPG's power flow cases to evaluate these projects for transmission-planning purposes. The planning assumptions and base case parameters used by the CTPG in its studies, as well as the reasons those assumptions and parameters were used, are described in our study plans and study reports, all of which are posted to our website for review by all stakeholders.

The CTPG has also disagreed with your oft-repeated charge that the CTPG's evaluation of your projects 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 our studies are “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 assertions were taken seriously, but ultimately we found that they provided little useful guidance to the CTPG Technical Study Team during the performance or evaluation of its work. For example, with respect to the FERC Notice of Proposed Rulemaking (FERC Docket No. RM10-23) referenced in your comments, that matter remains pending before the FERC and is currently inapplicable to the CTPG's transmission-planning processes, or any other planning process for that matter. Along these same lines, it is also not clear how our studies are “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. Although we have repeatedly asked The Nevada Hydro Company to explain these inconsistencies, The Nevada Hydro Company has chosen not to do so and CTPG is left unable to respond to criticisms it cannot understand.

You continue to allege that San Diego Gas & Electric and the California ISO 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 your allegations regarding these two entities. On behalf of the CTPG, I remind you that the CTPG has never claimed that it holds any 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. This is a position the CTPG

has reflected in virtually every communication the CTPG has had with all of our stakeholders in general and with The Nevada Hydro Company in particular.

With respect to the questions The Nevada Hydro Company poses regarding the manner in which the CTPG studied and evaluated transmission alternatives suggested by independent transmission developers, we have previously advised The Nevada Hydro Company that:

- California ISO Tariff Section 24 describes the California ISO's transmission planning process. 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 Transmission Access Charge mechanism, is outside the scope of the CTPG's activities;
- As FERC has recently found, the 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.*, to date, the CTPG has not performed economic analyses 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;

Again, let me say I am disappointed The Nevada Hydro Company has decided to refrain from participating in the future proceedings and studies of the CTPG. Nevertheless, I thank you for your past participation and contributions. If The Nevada Hydro Company decides to reconsider, please know that its renewed participation would be welcome.

Best regards,



James P. Avery
Chairman, Executive Management Committee
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cc: CTPG Executive Management Committee
Mo Beshir