

PUBLIC UTILITIES COMMISSION

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June 6, 2011

Keith Casey
California Independent System Operator
Vice President, Market and Infrastructure Development
P.O. Box 639014
Folsom, CA 95763-9014

Re: CPUC Recommendation for Base Case Scenario for CAISO 2011-12 Transmission Plan

Dear Dr. Casey:

This letter represents the formal transmittal of CPUC Energy Division's recommended scenario to use as a base case for the CAISO's 2011-2012 Transmission Planning Process. This fulfills our ongoing commitment under our May 13, 2010 MOU to ensure that our planning processes are better coordinated. As we have discussed, and as detailed further in the Attachment to this letter, we recommend that the CAISO utilize a revised version of the "cost-constrained" scenario identified in the 2010 LTPP proceeding.

The updates to the cost-constrained scenario include: 1) a change to include the Eldorado-Ivanpah Transmission Project that was recently approved by the CPUC; 2) an increase of an additional 1,384 MW in the amount of distributed generation in the scenario, to recognize the CPUC's approval of the Renewable Auction Mechanism program and a correction to the previous counting of approved utility solar photovoltaic programs; 3) an assumption that approximately 25% of the 2020 RPS target is met with out-of-state resources, as a proxy for the interconnection provisions of SBx1 - 2; and 4) updated transmission costs and capacities relative to the 2010-11 Transmission Plan.

The Energy Division recommends the cost-constrained scenario, with these updates, as the most appropriate base case. We also understand that the 2011-12 Transmission Plan will include analysis of the environmentally-constrained, time-constrained, and trajectory scenarios and will identify the transmission needed under each scenario. In addition, as provided in the CAISO tariff revisions approved by FERC in December 2010, network upgrades associated with recent interconnection queue clusters will be considered in the 2011-2012 Transmission Planning Process for treatment as policy-driven projects subject to competition from independent transmission developers. We expect substantial benefits from this revised planning process, particularly in clarifying the need for and utilization of different network upgrades under different resource scenarios. To that end, we would appreciate receiving line-specific transmission utilization rates under each scenario, on both annual (8760 hour) and instantaneous bases, to help inform all parties as to the trade-offs inherent in the various resource scenarios and transmission alternatives.

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I appreciate the cooperative spirit of our discussions on the 2011-12 Transmission Plan, and look forward to close ongoing coordination with the CAISO staff as the analysis proceeds. If you have any questions about the details of the scenario described in the Attachment, please contact Anne Gillette Mills at 415-703-5219 or anne.mills@cpuc.ca.gov.

Sincerely,



Julie A. Fitch
Director, Energy Division

Cc: Michael R. Peevey, CPUC President
Michel P. Florio, CPUC Commissioner
Paul Clanon, CPUC Executive Director
Karen Edson, CAISO VP for Policy and Client Services
Service List for CPUC LTPP Proceeding (R.10-05-006)