

Memorandum of Understanding
Between
The California Public Utilities Commission (CPUC)
And
The California Independent System Operator (ISO)
Regarding
The Revised ISO Transmission Planning Process

The ISO has proposed revisions to its transmission planning process to enable the ISO to identify the transmission infrastructure needed to achieve certain state policy targets including, but not limited to, 33 percent renewable generation procurement by load serving entities by 2020.

The CPUC develops renewable generation portfolio scenarios as part of its Long Term Procurement Plan process that will assist the ISO in identifying transmission projects needed under various renewable generation location assumptions and developing a comprehensive transmission plan.

The CPUC and the ISO desire to work together to coordinate the ISO's revised transmission planning process and identification of needed transmission infrastructure with the CPUC's subsequent siting/permitting processes.

The revised ISO transmission planning process will provide opportunities for the ISO and the CPUC to coordinate the ISO's scenarios analysis and development of the ISO's comprehensive transmission plan with the CPUC's siting/permitting processes.

Accordingly, the CPUC and the ISO agree to the following:

1. The California Transmission Planning Group process, which is a major part of Phase 1 of the ISO transmission planning process, will develop an annual statewide conceptual transmission plan that will become the starting point for further review and analysis in Phase 2 of the ISO transmission planning process. The ISO and the CPUC will participate in the California Transmission Planning Group process to incorporate, to the extent practical, alternative planning scenarios that will enable that effort to identify an initial set of needed "least regrets" transmission facilities for consideration in TPP Phase 2.
2. In Phase 2 of the 2010-2011 cycle of the ISO transmission planning process, the ISO will consider and incorporate into its plan scenarios from the CPUC Long Term Procurement Plan process, to the maximum extent practical given the goal of identifying needed renewable access elements of the Phase 2 plan by December 2010. The CPUC will provide notice that Phase 2 of ISO transmission planning process will consider and incorporate these scenarios, and the subsequent CPUC siting/permitting process will then give substantial weight to project applications that are consistent with the ISO's final Phase 2 plan.
3. The CPUC and the ISO will review the results of the California Transmission Planning Group modeling phases and evaluate their implications for the transmission needs of the CPUC's Long Term Procurement Plan renewable resource scenarios. The ISO will subsequently seek, within the time and human resource constraints of Phase 2 of the

- transmission planning process, to provide the CPUC and other stakeholders with a formal assessment of the transmission planning needs within the ISO balancing authority area for the Long Term Procurement Plan renewable resource scenarios.
4. CPUC and ISO will determine a process for subsequent cycles of the ISO transmission planning process, by which the ISO will formally assess scenarios provided by the CPUC. Provided the CPUC meets parameters agreed to by both parties with regards to the number, timing, and format of the scenarios, the ISO will provide CPUC and other stakeholders with a formal assessment of the transmission planning needs within the ISO balancing authority area for the CPUC-provided renewable resource scenarios.
 5. For Phase 2 of the transmission planning process, the ISO will conduct a stakeholder process that complies with Order 890 of the Federal Energy Regulatory Commission (FERC) and allows meaningful public participation to ensure that appropriate study assumptions and scenarios are identified to support development of the final Phase 2 plan. Stakeholders will have opportunities to comment on published drafts of the Phase 2 plan, as well as on the final Phase 2 plan that will be submitted for approval to the ISO Board of Governors. The final Phase 2 plan for the ISO balancing authority area will reflect the ISO's consideration of all stakeholder comments and recommendations received during the planning process.
 6. The final Phase 2 plan will identify specific needed transmission facilities, and will distinguish between Category 1 facilities which merit unconditional approval based on the concept of "least regrets," versus Category 2 facilities which may be needed depending on the course of future generation development.
 7. The facility specifications in the final Phase 2 plan will provide sufficient detail to enable eligible parties to develop and submit, in Phase 3, proposals to build the Category 1 facilities, including construction schedules and detailed cost estimates. During the next annual cycle of the California Transmission Planning Group and ISO transmission planning processes, parties may suggest alternatives to the Category 2 facilities, and the ISO will re-evaluate these facilities and consider any submitted alternatives in developing the next annual transmission plan.
 8. ISO participating transmission owners and other parties will have opportunities to build elements of the final Phase 2 plan that are not covered under transmission categories assigned to participating transmission owners to build under the ISO tariff. Parties may propose to build specific Category 1 facilities identified in the Phase 2 plan, or, for Category 2 facilities, may propose alternative elements to meet the same functional needs.
 9. Proposals to build specific Category 1 transmission facilities that are identified in the final Phase 2 plan would proceed directly to the CPUC and/or other siting authorities for Certificate of Public Convenience and Necessity, California Environmental Quality Act and other siting/permitting requirements.
 10. In cases where two or more proposals are submitted and found by the ISO to be technically acceptable for constructing the same Category 1 facility, the CPUC will choose, as needed, between two or more CPUC-jurisdictional proposals. In cases where two or more duplicative project proposals are all being considered by the same siting authority, the ISO will defer to the siting authority to choose between the projects. In cases where two or more duplicative project proposals are being considered by different siting authorities, the ISO will choose among the proposals based on objective criteria to be established.
 11. The CPUC and ISO recognize that this Memorandum of Understanding is being

completed based on the ISO's revised transmission planning process proposal, which will be submitted to FERC in the near future, and which the subsequent FERC order could modify. If any FERC-ordered modifications substantively affect the terms of this Memorandum of Understanding, the CPUC and ISO will collaborate to develop appropriate revisions to the Memorandum of Understanding.

The CPUC and the ISO understand and agree to the terms of this Memorandum.

California Public Utilities Commission

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