



July 27, 2000

Ms. Judith Ikle
CPUC
c/o Aspen Environmental Group
235 Montgomery Street, Suite 800
San Francisco, CA 94104

Subject: Draft Environmental Impact Report for the Proposed Northeast San Jose Transmission Reinforcement Project (CPUC Docket No. 99-09-029)

Dear Ms. Ikle:

Thank you for an opportunity to review the Draft Environmental Impact Report (DEIR) for the Northeast San Jose Transmission Reinforcement Project (Project), which was prepared by the Aspen Environmental Group for the California Public Utilities Commission (CPUC). The Project has been proposed by the Pacific Gas and Electric Company (PG&E) to address electric system reliability concerns in the San Jose area.

By this letter, the ISO would like to inform you that the ISO considers the environmentally preferred alternative identified in the DEIR to be as reliable as the Project. The environmentally preferred alternative is not, however, technically superior. Since the cost of the environmentally preferred alternative is greater than the cost of the Project, the additional cost must be justified on the grounds that the environmental benefits outweigh the additional costs. The ISO does not take a position on whether this is the case.

Background:

The main components of the Project include a new 230/115 kV substation (Los Esteros Substation), a 7.3 mile 230 kV transmission line from Los Esteros Substation to the existing Newark Substation, replacement of a segment of an existing 115 kV single circuit line with a double circuit line, and modifications to the existing Newark Substation and various 115 kV line terminations. The Project is needed to meet the growing load demand in the South Bay area.

The DEIR evaluates the environmental impacts that are expected from the construction and operation of the Project, and identifies mitigation measures which could avoid or minimize these impacts. The report also identifies alternatives to the Project and evaluates the environmental impacts associated with them. The DEIR analyzes five alternative routes for the 230 kV transmission

line, two alternatives for the substation site, and two alternatives for the 115 kV line upgrade, as well as a no project alternative. An environmentally superior alternative was identified in the Aspen Environmental Group study and is described in the report.

The environmental analysis of the Project and its alternatives included impacts on air quality, biological resources, cultural resources, geology, soils and paleontology, hydrology and water quality, land use and recreation, noise and vibration, public health, safety and nuisance, socioeconomics, public services and utilities, traffic and transportation, and visual resources. The DEIR identified the most important impacts of the project to be impacts on biological and visual resources, and land use and recreation. The DEIR agrees with the assessments of PG&E and the CA ISO that the No Project Alternative is not acceptable because it would result in a degradation of electric service to customers.

As a result of the studies, the DEIR identifies an environmentally preferred alternative that includes a different route for the 230kV Transmission Line than that of the Project proposed by PG&E. The alternative 230 kV transmission line route would start about one mile east of Newark Substation and connect to the existing PG&E Newark-Metcalf 230 kV transmission lines. Therefore, the electrical connections to the transmission system for this alternative would be different than those for the Project, which would directly connect to Newark Substation. In other words, instead of connecting Los Esteros Substation directly to Newark Substation, Los Esteros Substation would be looped from the Newark-Metcalf 230 kV transmission lines.

ISO Comments on the Environmentally Preferred Alternative:

PG&E performed studies on an alternative electrically identical to the environmentally preferred alternative which they have previously called the Overhead-Underground Alternative. The CA ISO reviewed the PG&E studies and performed its own studies on the Overhead-Underground Alternative. These studies demonstrate that system reliability for the environmentally preferred alternative is not inferior to that for the Project.

The cost of the environmentally preferred alternative is specified in the DEIR as \$104M. In comparison, the cost of the Project is specified as \$77.3M. Although the proposed environmentally preferred alternative provides the same reliability benefits to the electric transmission system as the Project, it does not have any technical advantages over the proposed project. Therefore, the increase in cost must be justified by mitigation of the negative environmental impacts of the project. Since the CA ISO does not conduct a detailed evaluation of the environmental impacts of transmission projects, we cannot comment on whether such an increase in project cost is justified.

The DEIR was issued after the Northeast San Jose Reinforcement Project was approved by the CA ISO Board of Governors. The CA ISO Board of Governors approved the Project in January 2000. However, it is the ISO management's view that even if the CPUC approves the environmentally preferred alternative described in the DEIR, the change will not require approval by the CA ISO Board of Governors. This is because the change in the Project will not degrade the system reliability and because the justification for any change would be based on a detailed consideration of environmental issues and their costs which is not the purview of the CA ISO.

If you have any questions regarding this review, please contact Irina Green at (916) 608-1296 or via e-mail at igreen@caiso.com.

Sincerely,

Jeffrey C. Miller
Regional Transmission Manager

GrdPlng/IG

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