

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the
Commission's Own Motion to actively
promote the development of transmission
infrastructure to provide access to renewable
energy resources for California.

Investigation 08-03-010
(Filed March 13, 2008)

Order Instituting Rulemaking on the
Commission's Own Motion to actively
promote the development of transmission
infrastructure to provide access to renewable
energy resources for California.

Rulemaking 08-03-009
(Filed March 13, 2008)

**REPLY COMMENTS OF THE DIVISION OF RATEPAYER
ADVOCATES ON ASSEMBLY BILL 1954**

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ADVOCATES ON ASSEMBLY BILL 1954**

Pursuant to the Ruling of Administrative Law Judge Anne Simon issued on November 9, 2010, the Division of Ratepayer Advocates ("DRA") respectfully submits these reply comments on Assembly Bill (AB) 1954. The Ruling requests comments on issues raised by the amendments to two subsections of the Public Utilities Code Section 399.2.5 made by AB 1954.

DRA's reply comments are directed to the opening comments of the other parties. Silence on any subject should not be interpreted as agreement or disagreement.

**I. CONSTRUCTION/CAPITAL COSTS SHOULD NOT BE
ELIGIBLE FOR COST RECOVERY PURSUANT TO
SECTION 399.2.5(c)(2)**

Several parties have suggested that cost eligible for cost recovery pursuant to Section 399.2.5(c)(2) should include construction costs, including the costs for long lead time equipment.¹ San Diego Gas and Electric ("SDG&E") also indicates

¹ Comments of Southern California Edison Company, p. 4; Opening Comments of San Diego Gas and Electric, p. 4 and Comments of Large-Scale Solar Association, p. 3.

that abandoned facility costs should be eligible for recovery under Section 399.2.5(c)(2).

DRA does not agree that such construction/capital costs should be eligible under Section 399.2.5(c)(2). Costs for long-lead time equipment, other construction costs and abandoned facility costs that are not recoverable through Federal Energy Regulatory Commission (FERC) jurisdictional rates are dealt with by the backstop recovery provisions of Section 399.2.5(b)(4), which:

Allow[s] recovery in retail rates of any increase in transmission costs incurred by an electrical corporation resulting from the construction of the transmission facilities that are not approved for recovery in transmission rates by the Federal Energy Regulatory Commission after the commission determines that the costs were prudently incurred in accordance with subdivision (a) of Section 454.

Furthermore, it is difficult to understand how abandoned facility costs, in particular, should be included in costs incurred prior to permitting or certification since such costs would arise only *after* final Commission approval of a specific transmission project. To the extent that these abandoned facility costs are not recoverable through FERC-jurisdictional rates, a utility should seek recovery under the backstop recovery provisions of Section 399.2.5(b)(4).

Therefore, all construction costs, including long-lead time equipment and abandoned plant, should not be eligible for recovery under Section 399.2.5(c)(2). Eligible costs should be limited to direct, project-specific costs for items such as feasibility studies, legal and consulting services, and project engineering that are incurred prior to permitting or certification. Pacific Gas & Electric's ("PG&E") comments include a description² of eligible costs that comports with DRA's view on what costs should be eligible for recovery under Section 399.2.5(c)(2).

² PG&E's Opening Comments, p. 9.

II. CONCLUSION

DRA respectfully submits these reply comments on the issues identified by the Ruling related to the Commission's efforts to actively promote the development of transmission infrastructure to provide access to renewable energy resources for California.

Respectfully submitted,

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December 20, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**REPLY
COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON
ASSEMBLY BILL 1954**” to the official service list in **I.08-03-010 and
R.08-03-009** by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on **December 20, 2010** at San Francisco, California.

/s/ ROSCELLA V. GONZALEZ
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