
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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COMMISSION MOVES TO EASE WEST COAST TRANSMISSION CONSTRAINTS, APPROVES RATE TREATMENT FOR KEY PROJECT

In a move designed to enhance energy infrastructure and bring additional transmission capacity to congested markets, the Federal Energy Regulatory Commission today approved a letter agreement setting out cost recovery and incentive proposals for a \$306 million upgrade to California's constrained Path 15 transmission line.

The agreement, filed by the Western Area Power Administration (WAPA), Trans-Elect, Inc. and Pacific Gas & Electric Company (PG&E) calls for the addition of a new, 84-mile, 500-kilovolt transmission line by late 2004. This would increase transmission capability from 3900 to 5400 megawatts for north-bound deliveries. The capability of southbound deliveries would also increase.

Today's action accepting the letter agreement is intended to allow the Path 15 parties to move forward with financing and preliminary matters; it is not the final Commission review of rates, terms and conditions of the project.

Path 15, located in northern California, consists of two, north-south high voltage transmission lines. The lines are often constrained because of the need for significant north-south transmission, with Pacific Northwest hydro power moving to California and generation from southern California traveling northward.

In March 2001, the Commission announced a series of across-the-board actions designed to bring more economic and reliable energy supplies to the California and western energy markets (Docket No. EL01-47-000). At that time, the Commission noted that a key element for stability in the western markets is investment in transmission facilities and proposed incentives such as an increased rates of return on equity.

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The need for additional transmission facilities in California has not eased since last year's order, the Commission said. That order sought, among other things, to promote just this type of action—the timely construction of additional transmission facilities.

Under terms of the agreement, WAPA will own the new 500 kV transmission line and associated land and contribute approximately \$1.33 million to the project. PG&E will perform upgrades to preexisting substations and transmission facilities. Trans-Elect, an independent for-profit transmission company, is responsible for raising approximately \$250 million of equity and debt to fund construction of the new transmission line.

Today's order, among other things, grants PG&E a premium on return on equity and grants PG&E's request to use a 10-year accelerated depreciation schedule.

WAPA, PG&E and Trans-Elect will each receive entitlements to the transmission system rights, with the participants receiving about 10 percent, 18 percent and 72 percent, respectively.

The Commission has jurisdictional authority over the rates, terms and conditions of transmission service. It does not have review authority over the siting and construction of transmission lines and upgrades.

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