

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric
Company (U 902 E) for a Certificate of Public
Convenience and Necessity for the Miguel-
Mission 230 kV #2 Project.

A.02-07-022

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION'S NOTICE OF EX PARTE
COMMUNICATION**

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Dated: September 9, 2004

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In accordance with Rules 1.4 and 7 of the Commission's Rules of Practice and Procedure, the California Independent System Operator ("ISO") hereby provides its notice of *ex parte* communication relating to a September 8, 2004, letter from Marcie L. Edwards, Interim Chief Executive Officer for the ISO to each Commissioner in which matters at issue in this proceeding were addressed. A copy of the written communication disclosing its content is attached. A copy of this notice is also being provided to ALJ Kim Malcolm.

Respectfully submitted,

By:



Grant A. Rosenblum

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Date: September 9, 2004



September 8, 2004

President Michael R. Peevey
Commissioner Carl W. Wood
Commissioner Loretta M. Lynch
Commissioner Geoffrey F. Brown
Commissioner Susan P. Kennedy
CALIFORNIA PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco, CA 94102

Re: A.02-07-022 – Miguel-Mission 230kV #2 Project

Dear Commissioners:

I am writing to express the Independent System Operator's ("ISO") support for San Diego Gas & Electric Company's ("SDG&E") proposal to modify the Miguel-Mission Project to expedite the in-service date for the approved 230kV line by a year. Under SDG&E's Commission-approved plan, the critically needed new Miguel-Mission 230kV circuit would be energized in approximately July 2006. This schedule follows from the sequential construction and installation of a new 138/69kV pole line and then the conversion of the existing 138/69kV lattice structures to accommodate the new 230kV circuit. SDG&E currently proposes to accelerate by approximately a year an increase in transmission capacity by temporarily energizing one side the new 138/69kV pole at 230kV rather than at 69kV. The ISO strongly believes that the proposal can potentially save ratepayers millions of dollars in congestion costs and can be implemented in accordance with ISO operating standards.

Congestion Cost Savings

In April 2004, pursuant to a request by the Presiding Judge in A.02-07-022, the ISO reported the estimated costs incurred to relieve Intra-zonal Congestion at the Miguel Substation from July 2003 through March 2004. Total redispatch costs reflected the sum of Reliability-Must-Run ("RMR") redispatch costs and other real-time redispatch costs, which included both incremental and decremental redispatch costs. These costs totaled approximately \$34.4 million. The ISO also estimated that the increase in transfer capacity resulting from installation of the new 230kV line and a second Miguel Substation transformer bank as of July 1, 2003, would have led to potential savings of approximately \$28 million. The additional transformer bank is scheduled for operation in December 2004.

An update to the ISO's prior analysis confirms that ratepayers will enjoy substantial financial benefits from energizing the 230kV line prior to 2006. In particular, total redispatch costs at the Miguel Substation total approximately \$47.5 million when calculated from July 1, 2003 through

June 30, 2004. An internal assessment by the ISO suggests that installation of the second Miguel Substation transformer bank may account for approximately 50-60% of the anticipated real-time congestion relief. The new transformer bank alone, however, is not anticipated to have a significant effect on reducing RMR dispatch. The added transfer capacity from installation of the 230kV line will not only provide further congestion relief, but also allow for the anticipated reduction in RMR dispatch. Accordingly, the ISO has preliminarily estimated that SDG&E's proposal could provide an annual savings that could approach the \$10-15 million range.

The Commission should be aware that pending facility maintenance on the Southwest Power Link ("SWPL") has led to a recent reduction in costs associated with Intra-zonal congestion at the Miguel Substation, but this circumstance is likely to be temporary. As part of the planned transformer bank upgrade at the Miguel Substation, series capacitor banks on SWPL have been taken out of service. This increases the impedance on the line, diverting power flows away from the Miguel Substation. Once the SWPL capacitor banks are put back into service, the amount of energy reaching the Miguel Substation will likely increase, highlighting the need for the Miguel-Mission 230kV circuit.

Compliance with Standards

The ISO concurs with SDG&E that the relocated 69kV line can meet operational criteria to temporarily operate at 230kV by employing 230kV insulators. The ISO is committed to working with SDG&E and other interested parties to resolve any technical or operational adjustments necessarily to safely operate the temporary line.

Conclusion

The ISO strongly supports SDG&E's proposal to modify the Commission-approved Miguel-Mission construction and operation plan to temporarily energize a 230kV circuit by July 2005. The ISO does not purport to evaluate the proposal from an environmental or regulatory perspective. However, the ISO has concluded, on the basis of information currently available to it, that accelerating the increased transfer capacity associated the Miguel-Mission 230kV circuit will likely result in significant cost savings to California consumers. The ISO, therefore, urges the Commission to approve SDG&E's proposal.

Sincerely,

/s/ Marcie L. Edwards

Marcie L. Edwards
Interim Chief Executive Officer
California ISO

cc: Parties to A.02-07-022

PROOF OF SERVICE

I hereby certify that on September 9, 2004 I served, by electronic mail, the California Independent System Operator's Notice of Ex Parte Communication in Docket # A. 02-07-022.

DATED at Folsom, California on September 9, 2004

A handwritten signature in black ink, appearing to read "C. N. Wilson", written over a horizontal line.

Charity N. Wilson
An Employee of the California
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