

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

In the Matter of the Application of San Diego)	
Gas & Electric Company (U 902 E) for a)	
Certificate of Public Convenience and)	Application 06-08-010
Necessity for the Sunrise Powerlink)	(Filed August 4, 2006)
Transmission Project.)	
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**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION ON ALTERNATE
PROPOSED DECISION OF COMMISSIONER PEEVEY**

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Pursuant to Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the California Independent System Operator Corporation (“ISO”) respectfully submits these reply comments on the Alternate Proposed Decision of Commissioner Peevey (“Peevey Alternate”). The Peevey Alternate grants San Diego Gas & Electric Company (“SDG&E”) a Certificate of Public Convenience and Necessity to construct the Sunrise Powerlink Transmission Project (“Sunrise”) without conditions that could serve to delay the construction of the line or hamper its operation once it is put into service. As discussed in its December 8 comments, the ISO supports Commission approval of the Peevey Alternate.

I. THE RECORD CLEARLY DEMONSTRATES THAT SUNRISE WILL PROMOTE RENEWABLE ENERGY DEVELOPMENT IN THE IMPERIAL VALLEY

Some parties opposing the Peevey Alternate argue that key factual findings and legal conclusions regarding the ability of Sunrise to facilitate the development of renewable generation are not supported by the record. These arguments have been previously raised and appropriately dismissed by the Peevey Alternate and, in many cases, the Proposed Decision of Administrative Law Judge Vieth (“Proposed Decision”) and the Alternate Proposed Decision of Commissioner Grueneich (“Grueneich Alternate”) as well.

For example, the Division of Ratepayer Advocates (“DRA”) questions the finding that the 1,000 MW increase in import capability provided by Sunrise will spur the development of 2,800 MW of new renewable generation.¹ DRA also bootstraps its contention that the 2,800

¹ DRA Comments at 2.

MW renewable generation development assumption is “false” into an assertion that the Peevey Alternate misapplies §399.25 to Sunrise.²

Renewable generation in the Imperial Valley (“IV”) provides substantial capacity cost savings when delivered over Sunrise into the San Diego load pocket. The 1:2.8 MW ratio of import capability to new renewable generation is consistent with studies performed by the ISO throughout this proceeding³ and is accepted in both the Peevey and Grueneich Alternates.⁴ Thus, DRA’s position is contradicted by the record. Furthermore, the notion that Sunrise does not meet the requirements of §399.25 ignores that, absent Sunrise, the current 1,150 MW dispatch limit will allow only a small amount of new IV renewable generation to be delivered to the ISO grid.

The Center for Biological Diversity and the Sierra Club (“Conservation Parties”) argue that “there is no evidence Imperial Valley renewables are critical in meeting [renewable portfolio standard (“RPS”)] goals” and that “the record demonstrates this [Imperial Valley] energy is available not only through existing transmission, but also through non-STP alternatives such as Greenpath”⁵ These assertions are directly contradicted by the record which demonstrates that without Sunrise, new renewable generation connecting at IV substation or the IV-Miguel portion of the Southwest Power Link (“SWPL”) will not be deliverable to San Diego as a result of the 1,150 MW dispatch limit, even if the Greenpath transmission project is built.⁶

Citing comments filed by the Utility Consumers Action Network on the Proposed Decision and Grueneich Alternate, Mussey Grade Road Alliance (“MGRA”) states that the 33% RPS goal is “extra-evidentiary” and that the “entire Sunrise evidentiary record is based on the 20% RPS requirement.”⁷ Simply put – MGRA is wrong. The ISO assumed a 33% RPS target in 2020 in all of its study scenarios except for four cases the ISO was directed to run in Compliance Exhibit 1.⁸ Thus, a 33% RPS has been included in the vast majority of modeling runs performed

² DRA Comments at 6-8.

³ See e.g., CAISO Phase 1 Opening Brief at 29, explaining that the CAISO modeled 2,700 MW of new renewable generation in the “with-Sunrise” scenario.

⁴ See Peevey Alternate at 7, 120-121, 134; Grueneich Alternate at 7, 113, 126; see also Proposed Decision at 111, 124 (finding Sunrise will increase import capability by 1,000 MW).

⁵ Conservation Parties Comments at 15, 17.

⁶ CAISO Ex. I-9 (Sparks Rebuttal) at 4 - 6.

⁷ MGRA Comments at 2.

⁸ Peevey Alternate at 164 (Table 13).

over the course of this proceeding and forms the bulk of the evidentiary record related to the procurement of renewable generation.

The record is clear: Sunrise will facilitate the development of significant amounts of renewable generation in the IV and that, absent the project, the ability to deliver new renewable resources into San Diego will be limited by the existing 1,150 MW dispatch limit.

II. CONDITIONS SHOULD NOT BE PLACED ON COMMISSION APPROVAL OF SUNRISE

Some parties urge the Commission to reject the Peevey Alternate because it lacks RPS procurement conditions similar to those set forth in the Grueneich Alternate (as modified by the November 18, 2008 Assigned Commissioner's Ruling). As the ISO has previously explained, such conditions fail to account for the fact that other load serving entities can contract for IV renewable generation and that the ISO is required to operate the grid on an open-access, non-discriminatory basis.⁹ Although it is impossible to guarantee that Sunrise will be used exclusively by SDG&E for the delivery of renewable energy from the IV, this does not mean that the line will not be used for renewable resources. As the Peevey Alternate cogently explains, the Commission has multiple ways in which the procurement efforts of SDG&E (and other investor owned utilities) can be “monitor[ed], evaluate[d], influence[d] and enforce[d]”¹⁰ to ensure renewable generation is procured.

Furthermore, many of the additional conditions proposed by parties aimed at ensuring Sunrise will be used to deliver renewable generation will likely delay the project. For example, the Conservation Parties urge the adoption of performance incentives and milestones that must be met before the line could be energized.¹¹ DRA suggests that the Commission validate “greatly accelerated” development of IV renewables before SDG&E would be permitted to engage in more than pre-construction activities.¹² Neither of these proposals would help ensure that new renewable generation is developed. However, by trying to precisely coordinate the online dates of new renewable generation and Sunrise, these parties would increase both the likelihood of delay and, as a result, the costs to ratepayers.

⁹ ISO Comments on November 18 ACR (Dec. 1, 2008) at 2-4.

¹⁰ Peevey Alternate at 178.

¹¹ Conservation Group Comments at 12-13, urging the adoption of UCAN's proposed requirement that 14,700 GWh/year be procured in lieu of the proposed 8,000 GWh/year.

¹² DRA Comments at 2.

The Peevey Alternate eliminates the specter of additional Sunrise construction delays, while at the same time clearly adhering to the Commission’s firm commitment to meet and exceed California’s renewable energy and climate change goals.

III. THE RECORD DEMONSTRATES A CLEAR LINK BETWEEN SUNRISE AND RENEWABLE GENERATION IN THE IMPERIAL VALLEY

The Nevada Hydro Company (“TNHC”) asserts that the ISO has “conceded” that there is no link between renewables development in the IV and Sunrise.¹³ TNHC grossly mischaracterizes the ISO’s position, which has consistently been that Sunrise will facilitate the development of renewable generation in the IV.¹⁴

In commenting that the Proposed Decision and Grueneich Alternate were wrong to apply an RPS compliance “cost” to Sunrise under the 20% RPS scenario, the ISO stated, among other things, that “it is unreasonable to conclude that Sunrise will produce RPS compliance costs because it necessarily assumes that higher cost renewable energy in the IV would be delivered solely as a result of Sunrise being built.”¹⁵ Based on this statement, TNHC claims the ISO believes there is no link between Sunrise and the development of renewable generation and therefore “the basis for the Peevey AD’s finding that Sunrise should be deemed necessary under Section 399.25 disappears.”¹⁶

The ISO statement referred to by TNHC relates to the approach used by the ISO for modeling the delivery of renewable generation from the IV under a 20% RPS scenario.¹⁷ The ISO testified, in both the Peevey and Grueneich Alternates find that, Sunrise will facilitate the development of significant amounts of renewable generation resources in the IV. This generation is critical for meeting RPS and greenhouse gas emissions reduction requirements, and results in significant RPS compliance benefits.

IV. CONCLUSION

The Peevey Alternate represents the best, most cost-effective option for ensuring that SDG&E meets its long-term reliability needs and satisfies California’s RPS requirements. Specifically, Sunrise will relieve the current 1,150 MW dispatch limit applicable to generation connected at the IV substation, increase import capability into the San Diego load pocket by

¹³ TNHC Comments at 2.

¹⁴ See e.g., ISO Comments on Proposed Decision and Grueneich Alternate at 1, 11.

¹⁵ ISO Comments on Proposed Decision and Grueneich Alternate at 6.

¹⁶ TNHC Comments at 2, footnote 1, citing the ISO Comments at 6.

¹⁷ ISO Reply Brief on Exhibit Compliance-1 at 5-6.

1,000 MW, facilitate the development of over 2,800 MW of IV renewable generation by 2015, and produce an estimated \$145 million to \$318 million in annual net benefits. No party has demonstrated the existence of any alternative to Sunrise capable of providing similar benefits or any rational basis for rejecting the Peevey Alternate. Accordingly, the ISO supports adoption of the Peevey Alternate.

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CERTIFICATE OF SERVICE

I, Judy Pau, certify:

I am employed in the City and County of San Francisco, California, am over eighteen years of age and am not a party to the within entitled cause. My business address is 505 Montgomery Street, Suite 800, San Francisco, California 94111.

On December 15, 2008, I caused the following to be served:

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enclosed in a sealed envelope, by first class mail on the parties listed as “Parties” and “State Service” on the attached service list who have not provided an electronic mail address, and via electronic mail to all parties on the service list who have provided the Commission with an electronic mail address.

/s/ Judy Pau

Judy Pau

cc: Commissioner Dian M. Grueneich (via US Mail and email)
ALJ Jean Vieth (via US Mail and email)
Matthew Deal, advisor to Commissioner Peevey (via US Mail and email)