

**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.)	
<hr/>		

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION ON ASSIGNED COMMISSIONER'S
RULING REQUESTING COMMENTS ON REVISED SECTION 19**

Nancy Saracino, General Counsel
Judith B. Sanders, Senior Counsel
CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION
151 Blue Ravine Road
Folsom California 95630
Tel. (916) 351-4400
Fax. (916) 608-7296
Email: jsanders@caiso.com

Jeffrey P. Gray
DAVIS WRIGHT TREMAINE LLP
Suite 800
505 Montgomery Street
San Francisco, CA 94111-6533
Tel. (415) 276-6500
Fax. (415) 276-6599
Email: jeffgray@dwt.com

Attorneys for CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION

Dated: December 1, 2008

**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.)	
<hr/>		

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION ON ASSIGNED COMMISSIONER’S
RULING REQUESTING COMMENTS ON REVISED SECTION 19**

Pursuant to the November 18, 2008 Assigned Commissioner’s ruling (“November 18 ACR”), the California Independent System Operator Corporation (“ISO”) submits these comments on revised Section 19 to the Alternate Proposed Decision of Commissioner Grueneich (“Grueneich Alternate”). The ISO commends Commissioner Grueneich for revising the conditions in her proposed alternate decision to eliminate the need for a new proceeding as a condition precedent to San Diego Gas & Electric Company (“SDG&E”) beginning construction on the Sunrise Powerlink Transmission Project (“Sunrise”). Nevertheless, for the reasons discussed below and the reasons articulated in the ISO’s November 20, 2008 comments on the Grueneich Alternate, the California Public Utilities Commission (“Commission”) should reject the Grueneich Alternate, as revised by the November 18 ACR, in favor of the alternate proposed decision issued by Commissioner Peevey (“Peevey Alternate”).¹

I. INTRODUCTION

As originally issued, Section 19 in the Grueneich Alternate would have conditioned approval of Sunrise on SDG&E filing an application demonstrating, “through binding

¹ The ISO intends to submit comments on the Peevey Alternate in accordance with Rule 14.3 of the Commissions Rules of Practice and Procedure.

commitments, that substantial amounts of Imperial Valley renewable generation will be developed and delivered via Sunrise starting on the day Sunrise is placed in service.”² To make this showing, the Grueneich Alternate would have required SDG&E to provide extensive project development information related to Imperial Valley renewable generation projects.³

This pre-construction condition precedent, in combination with the infeasibility of obtaining long-term commitments for renewable resources without assurances that Sunrise would ever be constructed, would have delayed, if not ultimately killed, Sunrise. Such a result would constitute a significant set back for California’s climate change and renewable energy policies by hampering access to much needed renewable resources located in the Imperial Valley. In addition, ratepayers would be denied the significant cost savings and reliability benefits that Sunrise will provide. The ISO expressed concern with this condition precedent at the November 7, 2008 oral argument and the November 13, 2008 all-party meeting, emphasizing that Sunrise should be approved immediately and without conditions.

The November 18 ACR eliminates the pre-construction condition precedent and instead would condition approval of Sunrise on SDG&E: (1) procuring 8,000 GWh/year to be delivered over Sunrise from the Imperial Valley by 2015; (2) adopting a 33 percent renewable portfolio standard goal; and (3) refraining from entering into contracts for coal-fired generation of five years or less. While these revised conditions would not delay construction of Sunrise, as discussed below they do raise other concerns.

II. THE COMMISSION HAS OTHER, MORE DIRECT, MEANS FOR ENCOURAGING THE DEVELOPMENT OF RENEWABLE RESOURCES

The stated intent of the revised Section 19 is to “require SDG&E to procure a substantial amount of Imperial Valley renewables to be delivered over Sunrise to ensure that Sunrise

² Grueneich Alternate at 262.

³ Grueneich Alternate at 262-263.

provides the projected economic and greenhouse gas reduction benefits identified in the Alternate Proposed Decision.”⁴ Although the intent of such a requirement is admirable in the abstract, as a practical matter placing an Imperial Valley procurement obligation solely on SDG&E fails to account for the fact that the ISO is required to operate the grid on an open-access, non-discriminatory basis.⁵ This means that it is impossible to guarantee that Sunrise will be used exclusively by SDG&E for the delivery of renewable energy from the Imperial Valley.

In contrast, the Commission has the authority to dictate the procurement priorities of all jurisdictional entities, including SDG&E. At a high level, the Commission can use its existing authority over long-term procurement (“LTPP”), resource adequacy (“RA”), and renewable portfolio standard (“RPS”) compliance to help ensure that the supply of renewable energy from the Imperial Valley to the ISO grid is maximized. Thus, given that the Grueneich Alternate already finds that Sunrise “will facilitate development of over 2,800 MW of Imperial Valley renewables by 2015, and that more than half of that development will be of high capacity geothermal resources” without procurement/deliverability conditions,⁶ the Commission can ensure that this generation is procured for California through its existing LTPP, RA, and RPS authority. Furthermore, the combination of RPS requirements and greenhouse gas regulation will shape the use of Sunrise and other transmission lines over time, not administrative or regulatory restrictions on open access. For instance, a 33 percent RPS will require maximum use of transmission lines to renewable rich locations.

The record in this case is clear: Sunrise will facilitate the development of significant amounts of renewable generation resources in the Imperial Valley that is critical for meeting

⁴ November 18 ACR at 1.

⁵ A component part of the ISO’s open access market design is the allocation of the capital costs of Sunrise to all users of the grid.

⁶ Grueneich Alternate at 7.

California's renewable procurement and greenhouse gas emissions reduction requirements. Moreover, when in service, Sunrise is required to be operated on an open, non-discriminatory basis. Viewed from this perspective, conditioning approval of Sunrise on one entity – SDG&E - *delivering* a fixed amount of renewable energy over the line is impractical and unnecessary.⁷

III. THE NOVEMBER 18 ACR CORRECTLY RECOGNIZES THAT SUNRISE WILL ALLEVIATE THE DISPATCH LIMITATIONS AT THE IMPERIAL VALLEY SUBSTATION.

While the revised Section 19 conditions raise concerns for the ISO, the November 18 ACR does correctly recognize that, absent Sunrise (or a similar *new* transmission line), only a minimal amount of new Imperial Valley renewable generation can be delivered to the Imperial Valley substation:

The record shows that there is a 1,150 MW dispatch limit for all generation connected to the Imperial Valley Substation, or to generation connected between the Imperial Valley – Miguel portion of the Southwest Powerlink.⁸ Thus, only a minimal amount of new Imperial Valley renewable generation can deliver to the Imperial Valley Substation, or along the Southwest Powerlink, absent Sunrise.⁹

The above finding is supported by the record, including the ISO's Phase 2 testimony. As explained by ISO witness Robert Sparks, renewable generation in the Imperial Irrigation District ("IID") queue is currently constrained by a 1,150 MW dispatch limit that applies to all generation connected at the Imperial Valley substation. Responding specifically to testimony presented by IID that the combination of the Talega-Escondido/Valley-Serrano and GreenPath North transmission projects, along with internal upgrades planned for IID's system, would

⁷ It is also important to note that SDG&E has already signed several power purchase agreements representing over 1,000 MW of renewable generation that will be located in the Imperial Valley and will be deliverable across Sunrise. See Grueneich Alternate at 167-168.

⁸ See Grueneich Alternate at 77-29 (Section 6.14.1).

⁹ November 18 ACR at 3.

facilitate the delivery of Imperial Valley renewable generation without Sunrise, Mr. Sparks stated:

The 1150 MW dispatch limit discussed above and in my Phase 2 direct testimony is a more restrictive limit. Sunrise would mitigate the 1150 MW dispatch limit because it is highly effective at mitigating contingency flows through the CFE [Comision Federal de Electricidad] system which trigger the cross-tripping scheme referred to in my Phase II direct testimony. In contrast, Green Path North would *not* be effective at mitigating contingency flows through the CFE system, and therefore would *not* be effective at mitigating the 1150 MW dispatch limit. At the same time it is expected that generation in the IID queue would adversely impact the CFE system during contingency conditions on the IV-Miguel line, and therefore this generation would be constrained by this limitation with or without Green Path North.¹⁰

The record in this proceeding clearly demonstrates that Sunrise is needed to alleviate the current 1,150 MW dispatch limit at the Imperial Valley substation. Thus, absent approval of Sunrise (or a similar transmission line), significant amounts of Imperial Valley renewables will not be deliverable to SDG&E.

IV. CONCLUSION

Sunrise will facilitate the development of significant amounts of renewable generation resources in the Imperial Valley that is critical for meeting renewable procurement and greenhouse gas emissions reduction requirements. In light of California's need for new renewable generation in general, and SDG&E's need for new resources to meet reliability and

\\

\\

\\

¹⁰ CAISO Ex. 1-9 at 14-15.

renewable procurement requirements in particular, the Commission should approve Sunrise without further delay.

Respectfully submitted,
/s/ Jeffrey P. Gray

Nancy Saracino, General Counsel
Judith B. Sanders, Senior Counsel
CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION
151 Blue Ravine Road
Folsom California 95630
Tel. (916) 351-4400
Fax. (916) 608-7296
Email: jsanders@caiso.com

Jeffrey P. Gray
DAVIS WRIGHT TREMAINE LLP
Suite 800
505 Montgomery Street
San Francisco, CA 94111-6533
Tel. (415) 276-6500
Fax. (415) 276-6599
Email: jeffgray@dwt.com

Attorneys for CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION

Dated: December 1, 2008

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 1, 2008, I caused the following to be served:

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION ON ASSIGNED COMMISSIONER'S
RULING REQUESTING COMMENTS ON REVISED SECTION 19**

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)