

**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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Attorney for the
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Dated: February 23, 2004

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In accordance with Rule 1.4 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 February 20, 2004, letter from James Detmers, Vice President of Grid Operations 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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System Operator Corporation
151 Blue Ravine Road
Folsom, California 95630
Phone: (916) 608-7138
Fax: (916) 608-7296

Date: February 23, 2004



Jim Detmers
Vice President, Grid Operations

February 20, 2004

VIA FACSIMILE

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:

On behalf of the California Independent System Operator (“ISO”), I am writing to express concern over the delay in releasing the draft Environmental Impact Report (“EIR”) for the above-referenced transmission project. The January 26, 2004, deadline set by the Commission for the draft EIR has not only elapsed, but ALJ Allen represented at a recent prehearing conference that release of the draft EIR may be postponed until April 2004. A delay of this magnitude jeopardizes the possibility of meeting the preferred project in-service date of no later than June 2006.

As you are well aware, the CAISO, the Commission, and others recognized that Intra-zonal congestion at the Miguel substation in San Diego Gas & Electric Company’s service territory could degrade system reliability and increase electricity costs borne by ratepayers. These concerns materialized beginning in July 2003 when additional generation capacity at the California/Mexico border commenced operation. To date, the costs borne by ratepayers arising from increased congestion at the Miguel substation are approximately as follows:

Time Period	Total Redispatch Costs
August 2003	\$ 4,116,232
Sept 2003	\$ 3,489,642
Oct 2003	\$ 3,923,149
Nov 2003	\$ 1,496,000
Dec 2003	\$ 3,978,522
Jan 1-26, 2004	\$ 3,119,538
Total	\$ 20,123,083
Monthly Ave	\$ 3,353,847

The ISO is proposing changes to its current congestion management system to address some of the impacts of the increased congestion. In addition, the independent consultant selected by the Federal Energy Regulatory Commission to calculate bids during periods of Intra-zonal congestion has recently modified its methodology, which may lead to lower Intra-congestion costs. However, the benefits of the new bid calculation methodology are not likely to be dramatic. Accordingly, until its new congestion management system is implemented, the ISO must continue to manage Intra-zonal congestion by redispatching resources in Real-time at significant cost to ratepayers and burden to ISO operations staff. The completion of the Miguel-Mission 230kV #2 Project will greatly assist in relieving both the adverse reliability and financial effects of the chronic congestion at the Miguel substation. Thus, any delay in completing this project harms California consumers and the ISO urges the Commission to make all feasible efforts to expedite issuance of the draft EIR and its final CPCN approval.

Thank you for your consideration. If you have any further questions, please feel free to contact me.

Sincerely,



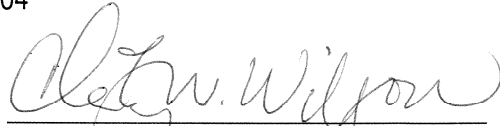
Jim Detmers
Vice President, Grid Operations

Cc: Parties to A.02-07-022
ISO Officers

PROOF OF SERVICE

I hereby certify that on February 23, 2004 I served, by electronic and U.S. mail, the California Independent System Operator's Notice of Ex Parte Communication in Docket # A. 02-07-022.

DATED at Folsom, California on February 23, 2004

A handwritten signature in cursive script, appearing to read "Charity N. Wilson", written over a horizontal line.

Charity N. Wilson
An Employee of the California
Independent System Operator

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