

**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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**COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION ON ALTERNATE
PROPOSED DECISION OF COMMISSIONER PEEVEY**

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

December 8, 2008

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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 comments on the Alternate Proposed Decision of Commissioner Peevey (“Peevey Alternate”). For the reasons discussed herein and in the ISO’s previously filed comments on the Proposed Decision of Administrative Law Judge Vieth (“Proposed Decision”) and the Alternate Proposed Decision of Commissioner Grueneich (“Grueneich Alternate”), the ISO strongly supports Commission approval of the Peevey Alternate.

I. THE PEEVEY ALTERNATE REPRESENTS THE BEST, MOST COST-EFFECTIVE OPTION FOR MEETING LONG-TERM RELIABILITY AND RENEWABLE PROCUREMENT REQUIREMENTS

As the ISO has previously stated, the record in this case demonstrates that: (1) there is an identified resource deficiency and long-term reliability need in San Diego Gas & Electric Company’s (“SDG&E”) service area beginning as early as 2010; (2) the Sunrise Powerlink Transmission Project (“Sunrise”) represents the best, most cost-effective long-term solution for meeting this need; and (3) Sunrise will facilitate the development of significant amounts of

renewable generation resources in the Imperial Valley that is critical for meeting renewable portfolio standard (“RPS”) and greenhouse gas (“GHG”) emissions reduction requirements.¹

By any measure, the Peevey Alternate represents the best and most cost-effective way for SDG&E to meet its long-term reliability and RPS obligations by ensuring that Sunrise is timely built. Specifically, the Peevey Alternate grants SDG&E a Certificate of Public Convenience and Necessity (“CPCN”) to construct Sunrise without conditions that could serve to delay the construction of the line or hamper its operation once it is put into service. In doing so, the Peevey Alternate corrects several analytical errors common to both the Proposed Decision and Grueneich Alternate related to reliability need,² RPS compliance costs,³ and operating and maintenance costs.⁴ The net effect of correcting these, and other errors, is that, unlike the Proposed Decision and Grueneich Alternate, the findings and conclusions in the Peevey Alternate are fully supported by the record.

Most importantly, however, by authorizing SDG&E to move ahead with the construction of Sunrise without further delay, the Peevey Alternate will “facilitate development of over 2,800 [MW] of Imperial Valley renewables by 2015”⁵ and preserve the substantial annual net economic benefits to be realized from Sunrise. From an overall benefits perspective, the ISO estimates that annual net benefits produced by Sunrise will range from \$145 million to \$318 million.⁶ Furthermore, the record clearly demonstrates that, absent Sunrise (or a similar new transmission line), the current 1,150 MW dispatch limit applicable to generation connected at the Imperial Valley substation will allow only a small amount of new Imperial Valley renewable

¹ See ISO Comments on the Proposed Decision of ALJ Vieth and Alternate Proposed Decision of Commissioner Grueneich (Nov. 20, 2008) at 1-2.

² See Peevey Alternate at 110-112; cf. Proposed Decision at 102; Grueneich Alternate at 104.

³ See Peevey Alternate at 146; cf. Proposed Decision at 132; Grueneich Alternate at 144.

⁴ See Peevey Alternate at 108; cf. Proposed Decision at 99; Grueneich Alternate at 101.

⁵ Peevey Alternate at 7; see also Proposed Decision at 68 (2700 MW); Grueneich Alternate at 7.

generation to be delivered to the ISO grid. Failing to affirmatively fix this dispatch limit will require SDG&E to look elsewhere for resources to meet its reliability and RPS needs at significantly increased costs.

In contrast, the Proposed Decision would put reliability at risk in San Diego, deny ratepayers significant net benefits, and complicate California's ability to meet RPS and GHG reduction goals by denying SDG&E a CPCN to build Sunrise. The Proposed Decision reaches this conclusion by making several analytical errors that understate the reliability need for Sunrise and the net economic benefits associated with the line. For the many reasons addressed in the ISO's comments on the Proposed Decision, the record does not support such an outcome.

The Grueneich Alternate is also flawed, both in its analysis of the record⁷ and the requirements it would place on SDG&E as a condition for approving Sunrise. As revised by the November 18, 2008 Assigned Commissioner's ruling ("November 18 ACR"), the Grueneich Alternate 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. However, as the ISO explained in its comments on the November 18 ACR, these conditions fail to account for the fact that other load serving entities can contract for Imperial Valley renewable generation and that the ISO is required to operate the grid on an open-access, non-discriminatory basis.⁸ As a result, it is impossible to guarantee that Sunrise will be used exclusively by SDG&E for the delivery of renewable energy from the Imperial Valley.

⁶ ISO Ex. I-13 at 22 (Phase 2 Rebuttal Table 1).

⁷ The Grueneich Alternate suffers from many of the same analytical errors found in the Proposed Decision. *See* ISO Comments on the Proposed Decision of ALJ Vieth and Alternate Proposed Decision of Commissioner Grueneich (Nov. 20, 2008) at 3-8.

⁸ ISO Comments on November 18 ACR (Dec. 1, 2008) at 2-4.

Accordingly, the Grueneich Alternate, as revised by the November 18 ACR, places impractical and unworkable conditions on approval of Sunrise.

II. CONCLUSION

The record in this proceeding demonstrates that Sunrise is needed to meet long-term reliability needs and provide critical access to important renewable generation resources located in the Imperial Valley. The Peevey Alternate represents the best, most cost-effective way for SDG&E to ensure its long-term reliability and RPS obligations met. In stark contrast, the Proposed Decision and Grueneich Alternate contain analytical errors that understate the reliability need facing San Diego and do not account for the full range of benefits to be realized from Sunrise. Accordingly, the ISO recommends that the Commission approve the alternate proposed decision issued by Commissioner Peevey and reject the Proposed Decision and Grueneich Alternate.

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

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DAVIS WRIGHT TREMAINE LLP
Suite 800
505 Montgomery Street
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Tel. (415) 276-6500
Fax. (415) 276-6599
Email: jeffgray@dwt.com

Attorneys for CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION

Dated: December 8, 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 8, 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)