

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

Application of San Diego Gas & Electric)
Company (U902 E) for Authority to Enter into)
Purchase Power Tolling Agreements with)
Escondido Energy Center, Pio Pico Energy)
Center and Quail Brush Power)

A.11-05-023

**NOTICE OF EX PARTE COMMUNICATION BY
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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February 8, 2013

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Pursuant to Article 8 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the California Independent System Operator Corporation (“ISO”) hereby files this notice of the following oral ex parte communication with Commissioner Mark Ferron, Michael Colvin advisor to the Commissioner, and Charlyn Hook, legal advisor to the Commissioner.

On February 5, 2013, from 10:30 am to 10:50 am, Philip Pettingill, ISO Director, Regulatory Affairs, and Mark Rothleder, ISO Vice President Market Quality and Renewable Integration met with the Commissioner and his advisors at the Commission offices. The meeting was requested by the ISO in response to the Commissioner’s equal time meeting opportunity.

During the meeting, Mr. Rothleder and Mr. Pettingill discussed the Proposed and Alternate Decisions and expressed the ISO’s concerns about the uncertainty caused by the failure of the two Decisions to approve sufficient capacity in the San Diego area. Mr. Rothleder explained that while the ISO supports the development of preferred resources,

there is significant uncertainty that these resources will be developed with the necessary characteristics and available in sufficient quantity to meet reliability requirements. As a result, the ISO would rather see a decision that increases the procurement authorization to 562MWs and allows for DR procurement with the proper characteristics. With this approach, there is sufficient authorization to accommodate the proposed projects (Escondido, Pio Pico, Quail Brush) and add DR to the San Diego resource mix.

The ISO explained its concern about the timing assumptions underlying the decisions. The State's Once-Through-Cooling Regulation has established a specific compliance schedule. Without, any modifications of this, the Encina generating facility will need to retire or be repowered to come into compliance. The time needed to conduct procurement, permitting and construction can be lengthy and has many opportunities for delay. Therefore, it is crucial that new conventional resources be constructed prior to January 1, 2018, so that the ISO will have sufficient assurance that reliability needs will be met prior to the retirement of the Encina generating facility. This uncertainty is aggravated by the SONGS outage. Further, the ISO explained that the loss of SONGS would likely create increased needs for capacity beyond those proposed and prior to 2018.

In addition, Mr. Pettingill explained that there should be no concern about the deliverability of the Pio Pico generation project. Mr. Sparks has thoroughly explained in his testimony and supplemental testimony that this project is deliverable with some transmission upgrades, in the event the Carlsbad energy center project is not available.

No written materials were provided as part of the communications described in this notice. To request a copy of this notice, please contact Anna Pascuzzo (916-351-2212).

Respectfully submitted,

By: /s/Judith B. Sanders

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Dated: February 8, 2013

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