

May 30, 2003

Attn: Commission's Docket Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

RE: Docket # A.01-03-036, In the Matter of the Application of SAN DIEGO GAS AND
ELECTRIC COMPANY (U 902-E) for a Certificate of Public Convenience and Necessity
Valley-Rainbow 500 kV Inter-Connect Project

Dear Clerk:

Enclosed for filing please find an original and four copies of the Reply Comments of the California Independent System Operator on the Alternate Draft Decision of President Peevey. Please date stamp one copy and return to California Independent System Operator in the self-addressed stamped envelope provided.

Thank you.

Sincerely,

Jeanne M. Solé
Regulatory Counsel

Cc: Attached Service List

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

In the Matter of the Application of SAN DIEGO
GAS AND ELECTRIC COMPANY (U 902-E) for
a Certificate of Public Convenience and Necessity
Valley-Rainbow 500 kV Inter-Connect Project

Application 01-03-036

**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
ON THE ALTERNATE DRAFT DECISION OF PRESIDENT PEEVEY**

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Dated: May 30, 2003

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

In the Matter of the Application of SAN DIEGO GAS AND ELECTRIC COMPANY (U 902-E) for a Certificate of Public Convenience and Necessity Valley-Rainbow 500 kV Inter-Connect Project	Application 01-03-036
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**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR ON THE ALTERNATE DRAFT DECISION OF PRESIDENT
PEEVEY**

In accordance with California Public Utilities Commission Rule 77.6, the California Independent System Operator Corporation ("CA ISO") respectfully submits these reply comments on the Alternate Draft Decision of Commissioner Peevey ("Peevey Alternate") on San Diego Gas & Electric Company's ("SDG&E") petition for modification of Decision 02-12-066 ("Petition for Modification"). The Peevey Alternate would grant in part the Petition for Modification. The CA ISO concurs with SDG&E's May 27, 2003 comments on the Peevey Alternate noting that the Peevey Alternate represents a common sense approach to addressing the Petition for Modification and provides for consideration of important new information that is critical to the Commission's assessment of the need for the Valley-Rainbow project. The Peevey Alternate should be adopted because it provides the Commission with the opportunity to make an informed judgment about the need for the Valley-Rainbow Project based on the most relevant and up-to-date information available.

SDG&E had requested the Commission to modify D. 02-12-066 to reduce the existing in-basin generation count by 221 MW to reflect the placement of South Bay Unit 4 into extended cold storage status beginning January 1, 2003, to proceed to Phase 2 in

light of recent and dramatic increases in costs associated with Reliability Must Run (“RMR”) Units, and to reflect the fact that Otay Mesa is not under construction and that Calpine has failed to meet its first milestone under its contract with the California Department of Water Resources. On February 24, 2003, the CA ISO filed a response supporting the Petition for Modification. The CA ISO noted that the new information proffered by SDG&E is important to the Commission’s consideration of the need for the Valley-Rainbow Project and supports the CA ISO’s position that existing generation may retire or at a minimum will be expensive to maintain on-line, and that the Commission cannot rely on the Otay Mesa power plant to meet the needs of San Diego.

In sum, the CA ISO strongly supports the Peevey Alternate, which would allow the Commission to consider key information in making its critical decision about the need for the Valley-Rainbow Project.¹

May 30, 2003

Respectfully Submitted:

By: _____
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¹ The CA ISO also concurs with SDG&E that it would be best to delete the last sentence in the first paragraph of the Peevey Alternate as it is inconsistent with conclusion of law 13 in 02-12-066 which states “Utilizing reasonably foreseeable but conservative supply and demand forecasts (existing in-basin generation of 2,348 MW, new in-basin generation of 510 MW in 2005, a Path 44 import limit of 2,500 MW, no resources from Mexico, and SDG&E’s demand forecast), SDG&E will have a capacity deficiency in 2008 under N-1/G-1 conditions.”

PROOF OF SERVICE

I hereby certify that on May 30, 2003, I served by electronic and U.S. mail, the Reply Comments of the California Independent System Operator on the Alternate Draft Decision of President Peevey in Docket # A.01-03-036.

DATED at Folsom, California on May 30, 2003.

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