

**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 Necessity
for the Sunrise Powerlink Transmission Project

Application No. 05-12-014
(Filed December 14, 2005)

**REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY
(U 902-E) TO PROTESTS**

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January 30, 2006

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Pursuant to Commission Rule 44.6, applicant San Diego Gas & Electric Company (“SDG&E”) hereby replies to protests of DRA, IID, UCAN, Riverside Cities, Duke Energy, Conservation Groups,¹ and to certain community groups and individuals.² Although these filings have various titles, SDG&E submits that all papers are in substance protests under the Commission’s rules, and that this reply be treated as a reply to protests.³

¹Protest of Division of Ratepayer Advocates (“DRA”) (Jan. 18, 2006); Protest of Imperial Irrigation District (“IID”) to Sunrise Powerlink Application; Utility Consumers’ Action Network (“UCAN”) Protest to SDG&E’s Application for a CPCN for the Sunrise Powerlink Project (January 11, 2006); Protest of the Cities of Temecula, Hemet, and Murrieta (“Riverside Cities”) (January 17, 2006); Response of Duke Energy North America (“Duke”) To the Sunrise Powerlink Application (January 18, 2006); Motion of the San Diego Chapter of the Conservation Groups and the Center for Biological Diversity (collectively, “Conservation Groups”) for Determination of Applicability of the California Environmental Quality Act and To Request a Hearing and/or To Reschedule the Prehearing Conference (January 20, 2006). Though styled a “motion,” this latter paper is, in effect, a protest to SDG&E application and response to SDG&E’s concurrent motion to defer.

² By e-mail and by more formal submission to the Commission, a number of individuals and community groups submitted responses to the application, all of which object to the project and which also object to SDG&E’s motion to defer. SDG&E will address herein the objections to the motion to defer.

³ Some protests, such as DRA and UCAN, address SDG&E’s motion to defer (filed concurrently with the application) in their protests. SDG&E submits that, given the relation of the motion to the application, it was appropriate to combine response in one paper.

The protests raise the following issues:

1. SDG&E's staging proposal (*i.e.*, motion to defer) should be denied (DRA, UCAN, Conservation Groups, Riverside Cities, individuals), and SDG&E's application should be rejected as incomplete;
2. "Robustness" of public notice (individuals, Conservation Groups);
3. CEQA EIR needed for Commission to decide purpose and need (Conservation Groups);
4. Application fails to consider "Green Path" as a competing project (IID);
5. Riverside Cities protest the "Full-Loop" alternative and the "Northern" alternative;
6. Application lacks Rule 18(d) statement identifying franchises and health and safety permits (IID protest at 4).
7. Duke feels application "denigrates" role of new generation, citing its South Bay repower.

I. GRANTING SDG&E'S MOTION TO DEFER COMPLIES WITH CEQA AND WILL ADVANCE THE PUBLIC INTEREST.

Concurrently with its application, SDG&E filed a Motion to Set Procedures and to Defer Certain Filing Requirements ("motion"), seeking permission to postpone, pending completion of route selection for the Sunrise Powerlink ("Sunrise" or "project"), certain Certificate of Public Convenience and Necessity ("CPCN") requirements for the above application, specifically dependent on route selection, including the Proponent's Environmental Assessment ("PEA"). The motion details SDG&E's public participation process for route selection, and shows how commencing the purpose and need determination now would accommodate this proceed while permitting 2010 operation of Sunrise, without compromising the Commission's CEQA⁴ review. SDG&E responds below to arguments of the several protestants that objected to SDG&E's motion.

⁴ California Environmental Quality Act, Cal. Pub. Resource Code §§ 21000 *et seq.*

A. The Commission has the discretion to grant SDG&E's motion.

Several protestants object simply because they characterize the motion as proposing to violate the rules.⁵ But such arguments in part rely on mischaracterizing what SDG&E asks. SDG&E seeks no exemption from any of the CPCN filing requirements; it simply seeks deferral of certain requirements that are route-dependent while the Commission commences the need adjudication. Commission Rule 87 is ample authority for the Commission to permit such deferral.

B. The Commission's CPCN process is, in practice, bifurcated.

DRA, UCAN, Conservation Groups and others characterize SDG&E's proposal as "bifurcation."⁶ This suggests something that is new, or somehow improper. But in practice, upon receiving a utility's application, the Commission's CPCN process immediately divides and proceeds on two separate tracks. One track is purpose and need, with all of the resource planning evidence and formal adjudication that entails. The second track, which may rely on many of the same facts as the first, is the CEQA review, which is a site or route-specific inquiry. Each track proceeds separately, the first, often with multi-party evidentiary hearings and a published proposed decision by the presiding ALJ; the second, with a report prepared by agency staff, published after input from public meetings and comments on a published draft. The two tracks come back together only in the Commission's CPCN decision.

Indeed, recent practice shows that need and CEQA review can proceed in separated timeframes. Two cases involving SDG&E applications, *In re Miguel Mission #2*, A.02-07-022, and *In re Otay Mesa Power Purchase Agreement Transmission Project*, A.04-03-008,

⁵ E.g., UCAN at 2-4; DRA at 2-4.

⁶ DRA at 3; Conservation Groups at 1; UCAN at 1.

reflect situations where the Commission found a need for the project before the PEA was filed.⁷ SDG&E's motion differs from the foregoing cases largely because, in the former cases, the Commission found need prior to the utility CPCN application. But the cases do belie suggestions that the Commission cannot do what SDG&E asks here – permit the need adjudication to commence before the PEA is filed.

In sum, SDG&E's motion seeks nothing that contradicts how the Commission, in fact, processes CPCN applications. In large measure, SDG&E is simply asking the Commission to do something that it has already done in other cases on its own motion - *i.e.*, to begin processing “need” prior to submission of a PEA.

C. The Commission may find need without prior completion of an EIR.

Conservation Groups (at 2) asks the Commission to determine that CEQA requires the “prior completion of an EIR.” SDG&E does not dispute Conservation Groups' threshold claim that CEQA applies to the Sunrise Powerlink. Of course CEQA applies to the project. But Conservation Groups' remaining arguments simply lack merit.

⁷ These projects were approved by D.05-06-061 (Otay), and D.04-07-026 (Miguel-Mission). That “bifurcation” is inherent in Commission practice and can yield efficiencies is reinforced by the August 26, 2005 Scoping Memo (at 10-12) in A.05-06-041 (re SCE's Devers-Palo Verde 2 CPCN). That ruling staged the receipt of evidence for the CPCN application into two phases. Phase 1 is to address need issues and the economic methodology used to assess cost effectiveness, with workshops, testimony, and evidentiary hearings to be held as needed on a consolidated basis with I.05-06-041. Phase 2, in A.05-04-015 only, will address environmental, routing, and other issues related to DPV2, with evidentiary hearings to be held as needed after the Draft EIR/EIS is released. The scoping memo's procedural schedule provided that the need phase would precede the environmental phase.

1. Commission regulations do not require a completed EIR prior to a need finding.

As a preliminary matter, the Commission's regulations do not mandate that a CEQA analysis be completed before a project's purpose and need is determined. Rule 17.1 identifies the co-equal importance of environmental, economic, social and technological issues. Contrary to Conservation Groups' arguments, however, co-equal does not preclude staggered consideration of issues. SDG&E can prepare its own preliminary environmental work for the PEA and conduct public outreach and participation while the Commission considers purpose and need. The Commission will then perform its independent CEQA analysis, which includes further public participation, *before* it issues its *final* decision whether to approve the Sunrise Powerlink project. SDG&E supports the Commission giving equal weight to environmental, economic, social and technological factors, but the Commission is not required to determine purpose and need and environmental issues at the exact same time. A benefit of beginning the need adjudication now is that the Commission can determine need while SDG&E works on its PEA. The Commission can then conduct a CEQA review that overlaps with the purpose and need proceedings. It is just this type of mechanism that can allow the Commission to expeditiously address the urgent need for transmission projects, particularly transmission for renewable energy.

Moreover, Conservation Groups misconstrue what SDG&E proposes the Commission to evaluate and when (p. 6). Conservation Groups mistakenly assume that the Commission's need determination is final *before* the CEQA process starts. In fact, the Commission's determination of purpose and need is not final until the Commission either grants or denies a CPCN. SDG&E proposes that the Commission start evaluating the need now, commence the CEQA process this summer after SDG&E submits its PEA, and then issue a final decision on

the CPCN by the end of the year. As noted above, in the Commission's current practice, the need assessment conducted by the ALJ and the CEQA process performed by Energy Division proceed independently, although they address common facts. Indeed, the PEA and the Draft EIR will evaluate alternatives to the Sunrise Powerlink project based on the evidence in SDG&E's purpose and need filing. In sum, the CEQA process will benefit from having a more fully developed need record if SDG&E's motion is granted.

2. SDG&E's motion will permit a full analysis of alternatives.

SDG&E does not dispute Conservation Groups' assertion that an "analysis of alternatives to the project must occur as part of an EIR" (p. 6). Conservation Groups simply make conclusory reference to CEQA requirements that are actually consistent with SDG&E's proposal. SDG&E agrees that the EIR should evaluate project alternatives—this is exactly what SDG&E is preparing for its PEA, so the Commission can include project alternatives in the Draft EIR. Perhaps Conservation Groups misunderstand that SDG&E intends the alternatives discussion to fully comply with CEQA, its Guidelines and the Commission's rules. SDG&E is fully committed to the prescribed alternatives analysis:

- describing a reasonable range of alternatives to the project, or to the location of the project, which could feasibly attain the basic objectives of the project, and evaluating the comparative merits of the alternatives;
- explaining how the alternatives were selected for analysis and identifying alternatives rejected as infeasible and why;
- including enough information concerning each alternative to allow adequate evaluation and comparison with the proposed project; and

- focusing on ways to avoid or substantially lessen the project’s significant environmental effects (CEQA Guidelines § 15126.6).

Also, in compliance with CEQA, SDG&E will include in its PEA the “no project” option and other alternatives “to the project” not just “to the location.” SDG&E desires the Commission to do the same in its Draft EIR. There is no dispute that the Commission should conduct a thorough and complete CEQA review that will adequately consider alternatives to the project - not just routing alternatives.

3. The motion would enhance public input.

Conservation Groups’ assertion that public oversight would be foreclosed by a “premature purpose and need decision” is inaccurate (p. 8). Given that SDG&E’s proposal contemplates that CEQA review of the project (with an identified route) would continue if need is decided prior to EIR issuance, it is self-evident that the staged process can accommodate more public involvement. And, when added to SDG&E’s voluntary, pre-filing community outreach, the proposed staging process will allow substantially more public involvement in the Sunrise Powerlink project. Because of the importance and size of the project, SDG&E sought input early on from stakeholders, community groups, agencies, homeowners and elected officials.

Although Conservation Groups correctly states that CEQA’s purpose is to “inform governmental-decision makers and the public” about a project’s potential effects, it overlooks the fact that through its extensive public outreach campaign, SDG&E has always intended to have more public oversight than provided by Conservation Groups’ narrow CEQA interpretation. To encourage increased public participation and get customers involved in the siting process, SDG&E has gone beyond the minimum CEQA requirements and voluntarily

elicited public involvement prior to route selection. SDG&E's series of open houses, community working groups, meetings, notices, project fact sheets and brochures, the website and communications simply supplement the Commission's request for public input through the environmental review process.⁸ In accordance with the premise of CEQA Guidelines Section 15083, SDG&E acknowledges that early public consultation is important for a major energy project. Public involvement and oversight is exactly what SDG&E committed to do when it started planning for Sunrise. It will continue to do so as the project progresses.

4. Granting SDG&E's motion will not limit agency response.

Conservation Groups contends that allowing the Commission's CEQA process to overlap the need determination will preclude adequate agency response (p. 8). But the Commission has a myriad of options available to it during the CEQA process to address adverse changes in the environment (CEQA Guidelines § 15002(h)). As lead agency, the Commission has the option to adopt one or more mitigation measures, develop conditions, select an alternative or alternative segments or combinations or disapprove of the Sunrise Powerlink as it deems appropriate (*see, e.g.*, CEQA Guidelines §§ 15041-15043; *Nollan v. California Coastal Commission* (1987) 483 U.S. 826; *Dolan v. City of Tigard* (1994) 512 U.S. 374). It also has the discretion to adopt findings and overriding considerations if there are significant unmitigable impacts. The Commission will retain the same full authority to approve, condition, or disapprove the project. In addition, the current schedule has the Commission issuing its final decision on need in October 2006. During that time, the Commission will be well underway with the CEQA review. There will be ample opportunity to coordinate the purpose and need proceedings with the environmental review so as to

⁸ SDG&E has already submitted prepared testimony with the application documenting this outreach effort. See, application, vol. 2, Purpose and Need, at I-2-5.

ensure full compliance with CEQA. And, as demonstrated above, Conservation Groups' contention is belied by the fact that the Commission has found need in the past prior to submission of a PEA.

5. The Commission's need determination does not foreclose full CEQA review or bind a later EIR determination.

Conservation Groups erroneously infer that SDG&E intends the Commission's decision on purpose and need in that phase of the proceeding to be a binding commitment to the project (p. 10). Instead, the Commission's decision is not final until it approves or denies SDG&E a CPCN for the Sunrise Powerlink. As discussed previously, the SDG&E has not asked the Commission to find need in late 2006, and we believe the CPCN can issue by the end of May, 2007. SDG&E is already in the process of preparing its PEA and anticipates that the Commission will commence its CEQA process later this year. Again, this will allow the Commission to address both aspects—need and environmental—of the CPCN in a coordinated and timely fashion.

6. Nothing in SDG&E's proposal delays the EIR

With respect to when an EIR must be prepared, it is important to note that the Conservation Groups glossed over the last part of CEQA Guidelines Section 15004(b), which states that EIRs should be prepared "late enough to provide meaningful information for environmental assessment" (p. 12). Conservation Groups states that "[the public agency] shall encourage the project proponent to incorporate environmental considerations into project conceptualization, design and planning at the earliest feasible time." (Guidelines § 15004(b)(3).) This is *exactly* what SDG&E has been doing for almost a year. Conservation Groups cites *Laurel Heights Improvement Assoc. v. Regents of UC* (1993) 6 Cal.4th 1112, and *Citizens of Goleta Valley v. Board of Supervisors* (1990) 52 Cal.3d 553 for many of its

arguments on how the Commission should implement CEQA for the Sunrise Powerlink. Curiously, those cases also stand for the principle that CEQA should “not be subverted into an instrument for the oppression and delay of social, economical and recreational development or advancement.” As will be shown in the purpose and need proceedings, the three-fold need for the development of the Sunrise Powerlink is clear: improved reliability, reduced energy costs and access to clean renewable energy. SDG&E completely supports the Commission commencing the CEQA process as soon as possible to in furtherance of fulfilling these objectives.

To Conservation Groups’ point that SDG& has not shown that it is infeasible to conduct an environmental review of all alternatives before a Commission decision on purpose and need (p. 12), SDG&E is not asserting that it is infeasible. Rather, the PEA and more importantly the Draft EIR will contain a range of alternatives (not just routing options) for the project. It is more efficient to allow SDG&E to begin preparing its PEA concurrently with the Commission’s consideration of the purpose and need. The Commission and the public will continue to have opportunities to comment on the alternatives in the CEQA phase of the proceeding.

7. SDG&E’s community outreach will enhance public CEQA input.

Conservation Groups assert that SDG&E is trying to replace the Commission’s CEQA obligations with its outreach campaign (p. 12). To the contrary, SDG&E’s public relations efforts will allow the public to have substantially more input upfront in the design of the Sunrise Powerlink. From the outset of the planning process for the Sunrise Powerlink, SDG&E made a firm commitment to seek public input throughout the entire process. As discussed above, SDG&E has far exceeded the legal requirements to solicit public

participation in the development of the Sunrise Powerlink. SDG&E invited the community and stakeholders to participate in many workshops, facilitated one-on-one discussion at open houses and accommodated many requests for meetings and presentations throughout San Diego County. The public could comment on all aspects of the project at the meetings, either verbally or in writing. This community outreach effort is *in addition to* not *in place of* the Commission's CEQA review. The public will again have an opportunity to weigh in on alternatives to the Sunrise Powerlink during the public review period of the Draft EIR.

8. The magnitude of the project supports the motion.

Conservation Groups' argue that it is inappropriate for the Commission to vary its rules in a proceeding of this size, complexity and importance (p. 13). This proposition is not self-evident, and runs contrary to the Commission's own view that its process for transmission siting needs improvement.⁹ Indeed, Sunrise is *just* the type of project that warrants starting purpose and need assessment prior to commencement of CEQA review. After much technical work—internally and with various agencies—SDG&E finalized the justification for the project for submission to the Commission. Concurrently, SDG&E began the massive effort of preparing its PEA, including accumulating data on baseline environmental conditions, developing opportunity and constraint maps, working with the public to refine such data and incorporate local concerns. Because the Sunrise Powerlink would traverse approximately 150 miles, months of data collection, reconnaissance work, right-of-way surveys, agency consultations and coordination, etc. is required. The sheer

⁹ The Commission, California's Energy Action Plan, CEC and DRA have recently acknowledged that there is an urgent need for more transmission in California. For example, DRA commented on the utilities RPS plans that the Commission "should require and accelerate transmission additions necessary for renewable energy delivery, consistent with lowest-cost integrated resource plan principles."

magnitude of this project begs for some streamlining, some staging of the regulatory work, in order to implement the project in a timely manner. It is manifestly inefficient to spend months collecting biological, cultural, historical, visual, geological, hydrological, paleontological, and other baseline data inputs to the PEA, while at the same time putting a ripe purpose and need showing on hold. Allowing the two processes (conducted by different departments within the Commission) to overlap should streamline the process while ensuring that all CEQA requirements are met.

II. SDG&E's PUBLIC ROUTE SELECTION PROCESS IS ROBUST

Conservation Groups (at 12-13) and certain individual protestants suggest that SDG&E's notice to the public concerning the project has been inadequate. This claim is inaccurate as a matter of fact and based on a misapprehension that a route-specific notice is appropriate *before* preferred and alternate routes have been identified.

SDG&E acknowledges that the Sunrise Powerlink will affect many of its customers. One look at a map reveals that there are no routing options between San Diego and Imperial Counties that would create no impacts. Recognizing this fact, SDG&E has embarked upon an unprecedented public outreach program designed to maximize customer participation in both the route selection and regulatory process.

Traditionally, utilities do not engage the public on transmission projects until the route is identified and the PEA is submitted to the Commission. Notices are mailed, posted and published, and public meetings are then legally required as part of the Commission evaluative process and California environmental law.

To encourage more public participation and to involve customers in the actual siting process, SDG&E decided to go beyond the legal requirements and host public meetings to

share information and get input before any route was selected or application filed with the Commission. This decision will result in an estimated nine months of public involvement before the route is even filed with the Commission.

But even before the Sunrise Powerlink was officially announced in August 2005, SDG&E had already begun discussions with community, business and environmental and political leaders about the best way to develop and implement a public outreach program. Even the technical alternative analysis used to develop the Sunrise Powerlink project was completed through a collaborative stakeholder process within the Southwest Transmission Expansion Plan (“STEP”) and Imperial Valley Study Group (“IVSG”). The stakeholders in STEP and IVSG were not just those in the electric utility business but environmental groups, generation developers, and various land agencies. A brief overview of the public outreach program will illustrate SDG&E’s extensive efforts to include residents and regional stakeholders in the development of this vital transmission project. The public outreach program is divided into five segments:

1. Preliminary Outreach

Months before the project was announced, SDG&E began presentations to governmental bodies and community organizations about the need for additional transmission infrastructure in the region. SDG&E then hosted two moderated discussions with community leaders to gain feedback on developing an aggressive public outreach program for a major transmission line project. Anonymous interviews (*i.e.*, the sponsor of the interview was not disclosed) were also commissioned by SDG&E to gather input from more than 30 business, environmental and community leaders to gain input and perspective on transmission issues and ways SDG&E could improve its customer outreach efforts.

1. Community Working Groups

Once the project was announced, SDG&E invited over 150 regional stakeholders and local residents to participate in structured workshops to help plan the route for the Sunrise Powerlink. The input from the Community Working Groups has directly affected routing decisions. SDG&E has hosted four Community Working Group meetings to date with another two planned for late February or March 2005.

2. Open Houses

To give members of the public an opportunity to speak one-on-one with members of the Sunrise Powerlink project team, SDG&E hosted eight open houses throughout the study area and a minimum of six more a planned for Mar. 2006. SDG&E made its best efforts to inform the public of these open houses by sending meeting notices to over 80,000 property owners, placing advertisements in 21 newspapers, posting informational posters in highly traveled public places and notifying the local media of all scheduled meetings.

3. Additional Meetings and Presentations

As noted earlier, SDG&E has gone to great lengths to inform its customers about this project. In fact, SDG&E has made presentations to over 120 community groups and individuals, including elected officials and governmental bodies in both San Diego and Imperial Counties. SDG&E has accommodated any group or individual that has requested a one-on-one or town hall style meeting.

4. Public Communications

Understanding that not all customers have the time or opportunity to attend multiple meetings, SDG&E has developed a comprehensive communication program to educate and inform customers on key elements of the Sunrise Powerlink. SDG&E used traditional

communication media by publishing project brochures, fact sheets, frequently asked questions, news releases and direct mail. SDG&E has also developed a project website (www.sdge.com/sunrisepowerlink) that is now a clearinghouse of project-specific information. Interested parties can download maps, check meeting schedules and sign up for e-mail notification via the Sunrise Powerlink e-alerts. An informational DVD on the project was also produced in addition to establishing a toll free project hotline.

Despite these extensive efforts to notify and educate all of SDG&E's customers about the Sunrise Powerlink, it is inevitable that some customers will still be unaware of the project – hence the allegations in some of the protests. Fortunately, those customers are now fully engaged and aware of the Sunrise Powerlink a full six months before SDG&E has selected the preferred and alternate routes for Commission consideration. SDG&E encourages those customers to stay involved, and we hope that participation in meetings like this will increase.

It is important to understand that this is not the end of the public process, but only the beginning. The Sunrise Powerlink must still go through a lengthy environmental review led by a very independent Commission that will include more public meetings, hearings, workshops and open houses. SDG&E looks forward to meeting with interested customers to make its case as to why the Sunrise Powerlink is needed for energy reliability, access to renewables and lower overall energy costs.

III. WHETHER OR NOT IID'S "GREENPATH" IS A "COMPETING PROJECT," SDG&E'S APPLICATION SHOULD NOT BE REJECTED.

IID's protest (at 2)¹⁰ contends that SDG&E failed to comply with the requirements of GO 131-D, Rule 18(b) (Competing Utilities), because SDG&E "failed to disclose that SDG&E's proposed construction of the Sunrise Powerlink transmission project is competing with the proposed construction of another transmission project, known as the 'Green Path' project." IID's allegation fails for two reasons.¹¹

First, at the time of SDG&E's application, SDG&E was engaged in discussions with IID management, and a third party engaged by IID, over possible partnering on the eastern portions of Sunrise, facilities that would be located mostly in the Imperial Valley. At that time, SDG&E understood IID Green Path project to consist of 230 kV upgrades to IID's internal transmission system (much of which is currently operated below 230 kV), together with a possible 500 kV interconnection with LADWP that includes new facilities at the northern end of IID's existing electric system. This was consistent with IID press releases concerning Green Path. In addition, the IID Board had approved funding a feasibility study

¹⁰ IID also filed a "Supplement to the Protest of the Imperial Irrigation District" (January 27, 2006). It appears that this supplement merely transmits IID's application to the ISO that is described below.

¹¹ IID (pages 4-5) also complains that the application violates "Rule 18(d) (Required Permits) because it lacked a "statement identifying the franchises and such health and safety permits as the appropriate public authorities have required or may require for the proposed construction or extension." IID ignores that the application (at 18) specifically addressed the requirements of Rule 18(d). SDG&E's application states that "because many such permits depend on the route selected, SDG&E asks to defer providing this information until the time it files its PEA for the project." It is misleading for IID to imply that the application tries to evade the requirements of Rule 18(d).

only for the 230kV upgrades.¹² Because of these discussions and the published facts concerning Green Path at the time of the application, SDG&E had no reason to view IID's project as "competing" or overlapping with Sunrise.

Second, since filing the application, SDG&E has learned that IID informed the Western Electricity Coordinating Council ("WECC") that a portion of the Green Path project would include new facilities that that apparently overlaps the Sunrise Powerlink. In addition, IID's partner, Citizens Energy,¹³ on January 24, 2006 submitted an "application" to the California Independent System Operator Corporation ("ISO") that (a) seeks ISO "approval" of the "Green Path Project-Southwest" project,¹⁴ (b) makes a "contingent request for ISO approval of Citizens' involvement in and relating to the "ISO Extension Project,"¹⁵ and (c) seeks ISO "approval" for Citizens to become a "financial participant" in the "ISO Extension

¹² IID Board meetings are open to the public, and except for certain exempt items, the Board agendas are published and votes publicly taken.

¹³ We have learned that IID's November 30, 2005 transmittal to the WECC of the "Imperial Valley-San Felipe Project Comprehensive Progress Report" states that IID's Imperial Valley-San Felipe Project will "establish a new tie between the Imperial Valley substation...and to the SDGE proposed Central San Diego 500/230kV substation" But this did not come to the attention of SDG&E's Sunrise application team until after the application was filed on December 14. Moreover, at the time of application, SDG&E's understanding of Green Path relied on the direct representations from IID, from its press releases and from representations IID Energy staff made to the IID Board.

¹⁴ Citizens' January 24, 2006 "application" to the ISO indicates that the "Green Path Project - Southwest" includes (a) a 500 kV connection at Imperial Valley substation ("S-1"), (b) a 500 kV Imperial Valley-San Felipe line ("L-1"), (c) a San Felipe 500/230 kV substation ("S-2"), (d) a 500 kV stub line between San Felipe and the Narrows area ("L-2"), (e) a rerouting of existing IID facilities ("M-1"), (f) a new 230/92 kV step-down transformer at San Felipe ("M-1"), and (g) upgrades to existing IID facilities to accommodate 500 kV fault current ("M-1").

¹⁵ Citizens' January 24, 2006 "application" to the CAISO indicates that the "CAISO Extension Project" includes a 500 kV line between the Narrows area and SDG&E's proposed Central substation.

Project” if SDG&E and Citizens agree that Citizens will finance the ISO Extension Project. Citizens Energy’s ISO application describes facilities that appear to overlap SDG&E’s Sunrise project.

IID Energy staff has not sought IID Board approval for funding to study of the Green Path expansion suggested by the recent WECC and ISO filings. Indeed, IID Energy staff made a presentation to the IID Board concerning Green Path on [date], and that presentation made no mention that Green Path includes IID (or a partner) building a 500 kV interconnection to San Diego.

Given the foregoing, SDG&E’s application had no reason to identify the Green Path concept in the application as “competing.” Indeed, to date, it appears that such expansion has not been endorsed (or even disclosed to) IID’s Board. In the alternative, if that Commission considers that these facts warrant consideration of Green Path as a “competing project” under the Commission’s rules, SDG&E has no objection to doing so. But there are no grounds here for rejecting the application.¹⁶

IV. OTHER ISSUES RAISE MATTERS APPROPRIATE FOR HEARING

Certain protests raise two other items. First, Riverside Cities protest the “Full-Loop” alternative and the “Northern” alternative identified in the application. Second, Duke (at 2) feels SDG&E’s application “denigrates” the role of new generation, citing Dukes’ proposed

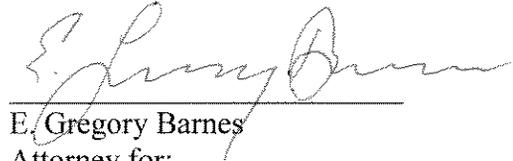
¹⁶ At this stage of the proceeding, the Commission should disregard the assertions in IID’s protest concerning the comparative economics of the asserted “competing” project. If this application goes to hearing, IID will have ample opportunity to support its claims. In the meantime, note that IID’s asserted costs do not appear to include substation costs or the costs of the 230 kV portion of Sunrise. In addition, there is no basis for IID to assert (at 3) that the transfer capability of Sunrise will be only 650 MW.

South Bay repower. While both issues are appropriate for further exploration in hearings,¹⁷ the proponents seek only Commission consideration of the issues, and no other relief at this time. Therefore SDG&E will not address the merits of these protests at this time.

V. CONCLUSION

SDG&E asks the Commission to grant SDG&E's motion to defer certain route-specific filing requirements, to reject to or set for further consideration the protests as described above, and to set further procedures consistent with the schedule set forth in SDG&E's application.

Respectfully submitted,



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January 30, 2006

¹⁷ "Hearings" refers to the full and fair opportunity to be heard by the Commission. Often, where matters do not require cross-examination of witnesses at evidentiary hearings, the Commission satisfies the hearing requirement with cases submitted on briefs, comments, prepared testimony, or other writings. While these two issues alone might be candidates for submission on the papers, SDG&E expects that the total scope of issues in this proceeding will require evidentiary hearings.

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true and correct copy of the **REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) TO PROTESTS (U 902-E)** to each party of record on the service list in A.05-12-014 via electronic mail. Those parties without an email address were served by placing copies in properly addressed and sealed envelopes and depositing such envelopes in the United States Mail with first-class postage prepaid.

Executed this 30th day of January, 2006 at San Diego, California.

Doris K. Reed

Doris K. Reed