

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.

A.05-12-014

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**BRIEF OF CORAL POWER, L.L.C.,  
ENERGIA AZTECA X, S. de R.L. de C.V. AND  
ENERGIA de BAJA CALIFORNIA, S. de R.L. de C.V.  
IN RESPONSE TO THE ASSIGNED COMMISSIONER'S  
FEBRUARY 10, 2006 RULING**

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Date: February 24, 2006

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In accordance with the “Assigned Commissioner’s Ruling Seeking Briefs on Legal Issues,” which was issued in the above-referenced proceeding on February 10, 2006, Coral Power, L.L.C. (“Coral Power”), and Energia Azteca X, S. de R.L. de C.V. and Energia de Baja California, S. de R.L. de C.V. (jointly “La Rosita”), file this brief in order to address the specific issues set forth in the Assigned Commissioner’s Ruling. Coral Power and La Rosita agree with San Diego Gas & Electric Company’s (“SDG&E’s”) assessment of the need for a new, 500 kV transmission line to connect the Imperial Valley (“IV”) substation with the load center in San Diego. Coral Power and La Rosita also support SDG&E’s proposal to bifurcate the process through which the Commission reviews the certificate of public convenience and necessity (“CPCN”) application herein.

The bifurcated process that has been proposed by SDG&E will allow the Commission to make a comprehensive assessment of “need” under Section 1001 of the Public Utilities (“P.U.”) Code. The Commission can and should make a determination of need before the Commission,

SDG&E, and all interested parties must expend the significant resources that will be required in order to examine a specific route for the transmission project, and to assess the associated environmental impacts. The bifurcated process proposed by SDG&E is permitted under the Commission's rules and is consistent with the Commission's expressed desire to "streamline" its process for the review of proposed transmission projects.

In support of their position herein, Coral Power and La Rosita state the following:

**I.**

**CORAL POWER AND LA ROSITA'S  
INTERESTS IN THIS PROCEEDING**

Coral Power and La Rosita have a direct interest in the outcome of this CPCN application proceeding. Coral Power is a marketer of electric power that sells and delivers power to wholesale and retail customers in California, including customers in SDG&E's service area. La Rosita owns and operates two electric generation plants near Mexicali in Baja, California. The combined capacity of the La Rosita Power Plant (750 MW) and the La Rosita Expansion Plant (310 MW) is 1060 MW.

Much of the electric power from the La Rosita generation facilities, including power that is purchased and marketed by Coral Power, flows directly into the IV substation. Substantial additional generation, including approximately 6600 MW of new generation that recently has been developed at or near the Hassayampa substation in the area south of Palo Verde in central Arizona, also is available for delivery into the IV substation.

Electric power that is delivered into the IV substation must be delivered over the Southwest Power Link ("SWPL") transmission line, a single 500 kV transmission line that has limited transfer capability. In addition, SDG&E has import limits at constraint points on its system, including the Miguel substation. This means that all of the generation that is delivered

over the SWPL into the IV substation and that otherwise could compete to serve SDG&E's load is currently subject to congestion at the IV substation or at the Miguel substation downstream of IV.

SDG&E's proposed 500 kV Sunrise Powerlink transmission line, if approved by the Commission, will substantially relieve existing congestion, and prevent future congestion, between the IV substation and SDG&E's load center. The 500 kV Sunrise Powerlink transmission line will bypass the Miguel substation by interconnecting the IV substation with a central point in SDG&E's service area. This new 500 kV transmission line will permit the importation of competitively priced power, and will provide SDG&E customers with access to existing and potential renewable resources in the Imperial Valley area.

Coral Power and La Rosita have worked closely with SDG&E, the CAISO, FERC and this Commission in pursuit of transmission upgrades that will relieve congestion between the IV substation and SDG&E's load center. These efforts began in mid-2001, in Docket No. I.00-11-001, when Coral Power, La Rosita and others first urged the Commission and SDG&E to pursue the construction of a critical upgrade of the Miguel-Mission transmission line, as well as a critical upgrade of the transformer bank at the IV substation. After more than three years of proceedings, including an interim Commission decision in February 2003 that established the "need" for the Miguel-Mission transmission project (as well as for the IV transformer bank project) (D.03-02-069, February 27, 2003), the Commission approved SDG&E's application for a CPCN for the Miguel-Mission transmission project in July 2004 (D.04-07-026, July 8, 2004). The Miguel-Mission transmission upgrade increases SDG&E's import limit at the Miguel substation by 400 MW.

In this proceeding, SDG&E has identified a specific need for a new, 500 kV transmission line by 2010. If, as in the Miguel-Mission transmission case, the Commission takes upwards of three years to approve (or reject) SDG&E's Sunrise Powerlink transmission application, SDG&E may not be in a position to meet the reliability or renewable resource needs that it has identified for 2010, either with a new 500 kV transmission line or with alternative resources.

The congestion that currently exists at the IV substation and at the Miguel substation, and the added congestion that will result from new generation contracted for in the Imperial Valley area, imposes direct and indirect costs upon SDG&E ratepayers, including lost opportunity costs for competitively-priced power that cannot be delivered to SDG&E's service territory. SDG&E's proposed Sunrise Powerlink transmission project will increase SDG&E's import capability, reduce congestion at the Miguel substation, and enable SDG&E to obtain competitively priced power to meet its customers' requirements. The Commission should find, as a threshold matter in this proceeding, that there is a need for a new 500 kV transmission line from the IV substation to SDG&E's load center. Once that "need" determination is made, the Commission can assess the specific route that is selected by SDG&E.

## **II.**

### **SDG&E'S APPLICATION**

In its application, SDG&E noted that the San Diego region currently relies upon a single 500 kV transmission line (SWPL) in addition to a small number of 230 kV lines extending from the San Onofre Nuclear Generating Station in order to import electric power from outside SDG&E's local reliability area. In its current long-term resource procurement plan, which the Commission approved in D.05-10-014 (October 6, 2005), SDG&E identified the need for a second 500 kV transmission interconnection by 2010 in order to meet the local grid reliability requirements established by the CAISO. In D.04-12-048 (December 16, 2004), in which the

Commission conditionally approved SDG&E's long-term resource procurement plan, the Commission "encourage[d] SDG&E to continue its planning efforts and move forward with evaluating ... transmission alternatives for meeting a local resource deficiency by 2010." Decision at p. 228, Finding of Fact No. 9.

In its application herein, SDG&E identified three compelling reasons why a new 500 kV transmission line is needed to serve SDG&E's load. First, SDG&E noted that a 500 kV transmission line will enable SDG&E to address a potential local grid reliability shortfall beginning in 2010. See Application at p. 3. Second, a 500 kV transmission line will encourage renewable resource development (i.e., solar power and geothermal energy) in the Imperial Valley, which in turn will enable SDG&E and other LSEs to meet the renewable goals that have been established by the Commission and by the Governor for 2010 and 2020. Id. at p. 4. Third, SDG&E stated that a new 500 kV transmission line will produce substantial energy cost savings through increased competition, reduced congestion costs and reduced RMR costs. Id. at p. 4-5.

Coral Power and La Rosita agree with SDG&E's assessment of the need for a new 500 kV transmission interconnection between the IV substation and SDG&E's load center. Coral Power and La Rosita recognize, however, that issues related to "need," including matters concerning grid reliability, access to renewables, and access to competitive supplies, are issues of fact that are subject to disagreement among interested parties. These factual issues can and should be addressed through testimony and an evidentiary hearing in a first "phase" of this CPCN proceeding.

It makes sense for the Commission to address the issue of "need" before the Commission addresses the specific route for the transmission line. As the applicant in this proceeding, SDG&E bears the burden of demonstrating the need for the proposed transmission project. If

SDG&E fails to demonstrate the need for a new 500 kV transmission line, it will not be necessary for SDG&E, the parties, or the Commission to undertake the environmental analysis that otherwise will be required in a second phase of this CPCN proceeding. SDG&E should be able to obtain a need determination from the Commission at an early stage in order to enable SDG&E to pursue other alternatives, if necessary, to achieve its reliability and renewables requirements.

### **III.**

#### **SDG&E'S TESTIMONY SUPPORTS A DETERMINATION OF "NEED" FOR THE SUNRISE POWERLINK TRANSMISSION PROJECT**

The prepared testimony accompanying SDG&E's application provides demonstrable support for the need for a new 500 kV transmission link between the IV substation and SDG&E's load center. SDG&E's testimony shows that a new 500 kV transmission line is needed to meet the CAISO's G-1/N-1 reliability requirement for the San Diego area transmission system, is needed in order to enable SDG&E (and other load-serving entities serving customers in the San Diego area) to meet the 20 percent renewable target in 2010, and is needed in order to maximize the economic benefits associated with imports of electric power.

SDG&E's testimony shows why a new 500 kV transmission line will enable SDG&E to meet the CAISO's G-1/N-1 reliability criteria beginning in 2010. Specifically, by increasing SDG&E's import capability by 1000 MW, the proposed Sunrise Powerlink project will more than offset a projected G-1/N-1 deficiency of 262 MW in 2010, and a projected deficiency of 737 MW in 2015, that otherwise could arise under SDG&E's "baseline planning scenario." See Prepared Testimony, Chapter III, pp. III-3-4. Parties can certainly disagree about the assumptions underlying SDG&E's "baseline" scenario, and these assumptions raise issues of fact for the Commission's resolution. Nevertheless, SDG&E's baseline assumptions show a

substantial deficiency as soon as 2010, and certain alternative assumptions show that the capacity deficiency may be even greater in 2010 and beyond without new in-basin generation or increased import capacity.

SDG&E's testimony also shows that a new, 500 kV transmission line will enable SDG&E to meet its renewable procurement target by 2010. SDG&E's testimony that addresses the need for new transmission to connect with renewables in the Imperial Valley area is supported by a report by the Imperial Valley Study Group ("IVSG") that was issued in September 2005.<sup>1</sup>

The IVSG's September 30, 2005 Report stated that the Imperial Valley area contains 1950 MW of untapped geothermal reserves, as well as one-fourth of the State's entire solar generation potential. Report at p. 1. The Report stated that "a new 500 kV transmission line into SDG&E's system is needed for the ultimate development of renewable resources in the Imperial Valley." Report at p. 24. The Report stated further that "[t]he SDG&E 500 kV line in San Diego County and associated facilities is an essential component of the IVSG plan to export renewable resources, beginning in Phase I." *Id.* at p. 58.

The IVSG Report noted that CalEnergy, a renewable energy developer, has estimated that, subject to securing power purchase agreements, it can have three 215 MW geothermal power plants (a total of 645 MW) in service by the end of 2010. *Id.* at p. 14. In order to transfer this geothermal energy to the CAISO grid, the report stated that the IVSG development plan "anticipates scheduling most new Imperial Valley generation (except purchase by LADWP or Arizona LSEs) to SDG&E, to the extent possible." *Id.* at p. 22.

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<sup>1</sup> Imperial Valley Study Group, "Development Plan for the Phased Expansion of Transmission to Access Renewable Resources in the Imperial Valley," presented to the California Energy Commission for the 2005 Integrated Energy Policy Report (September 30, 2005).



Moreover, as SDG&E pointed out in its testimony, SDG&E has entered into a contract with Stirling Energy, a solar thermal developer, under which SDG&E will purchase (in Phase I) the output of a 300 MW solar generation facility to be located in the Imperial Valley.<sup>2</sup> Commercial operation of this facility is to commence no later than 2010. See SDG&E Testimony, Chapter I, p. I-14. SDG&E stated that a “significant portion” of the output of the Stirling Energy solar power will be delivered over the Sunrise Powerlink to the San Diego area. Id. at I-15.

If the Sunrise Powerlink project is not approved, a significant portion of the output of the Stirling solar generation facility is likely to flow through the Miguel substation. In addition, all or a portion of the 645 MW of “Phase I” geothermal energy from the Imperial Valley would flow through the Miguel substation. In the absence of a new 500 kV interconnection at the IV substation, this new renewable generation, in combination with new generation from east-of-California and Mexicali, will significantly increase intrazonal congestion at the Miguel substation.

Specifically, even if only one-half of the power from these new renewable generators were to flow through the Miguel substation, this generation would exceed the 400 MW increase in the import limit at Miguel that the Miguel-Mission transmission upgrade has provided. In the absence of the Sunrise Powerlink transmission project, new renewable generation in the Imperial Valley would make congestion at the Miguel substation even worse than it was before the Miguel-Mission transmission upgrade was approved. The prospect of such increased congestion would discourage renewable development in the Imperial Valley. In other words, without the Sunrise Powerlink project, some or all of the critical renewable generation projects anticipated in

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<sup>2</sup> This contract was approved by the Commission in Resolution E-3965 (December 15, 2005).

the Imperial Valley (and anticipated to meet the Renewable Portfolio Standard targets) may not be developed.

Any congestion at the Miguel substation is “intra-zonal” congestion. By contrast, congestion at the Palo Verde substation is “inter-zonal” congestion. According to the CAISO’s 2004 Annual Report (Market Issues and Performance), the Palo Verde import point was the greatest cause of inter-zonal congestion in the CAISO’s control area, imposing a cost of \$21.7 million on CAISO ratepayers. Because electric power that is delivered into the IV substation partially flows to the Palo Verde substation, any additional generation in the Imperial Valley will not only cause congestion problems at Miguel, but will add to congestion at Palo Verde. The Sunrise Powerlink transmission line will greatly reduce the power flowing in the direction of Palo Verde and will divert a great deal of electric power away from the Miguel substation. Congestion relief will encourage renewable development, as the Commission has recognized in I.05-09-005 and elsewhere.<sup>3</sup>

Finally, SDG&E’s testimony shows that the Sunrise Powerlink transmission project will produce economic benefits for all CAISO ratepayers through reduced RMR contract costs, reduced congestion costs, and improved access to competitively-priced generation in Arizona, Mexicali, and other areas in the desert southwest. SDG&E’s analysis indicates that these economic benefits will more than offset the annual cost of the new, 500 kV transmission line. SDG&E’s assessment of the economic benefits of the Sunrise Powerlink project was undertaken through application of the CAISO’s Transmission Economic Analysis Methodology (“TEAM”). The TEAM approach also has been used by the CAISO to assess the economic benefits of

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<sup>3</sup> See I.05-09-005 at pp. 5-6 (September 8, 2005); see generally D.04-06-010 (June 9, 2004).

Southern California Edison Company's ("SCE") Palo Verde-Devers II transmission project in A.05-04-015.

The evidence that has been presented by SDG&E provides a prima facie case supporting a determination of need for a new, 500 kV transmission line from the IV substation to SDG&E's load center. SDG&E has provided a general description of the facilities required for the project, as well as certain parameters with respect to the costs of the project, that provide a specific context for the Commission's assessment of the need for this project. The Commission should allow SDG&E to proceed with its case on the issue of need. A second phase of this proceeding can address the particular route for the project, if the Commission decides that this transmission project is needed.

#### **IV.**

#### **RESPONSES TO THE ASSIGNED COMMISSIONER'S SPECIFIC QUESTIONS**

Coral Power and La Rosita respond herein to the specific questions presented in the Assigned Commissioner's February 10, 2006 Ruling:

1. What is the legal standard for waiving the Commission's rules and General Orders requested by SDG&E?

Answer: SDG&E refers to and relies upon Commission Rule 87 as support for a limited deviation from (or sequencing of) its compliance with the Commission's Rules of Practice and Procedure. Rule 87 provides, in pertinent part, that "[i]n special cases and for good cause shown, the Commission may permit deviations from the rules."

Coral Power and La Rosita believe that "good cause" for deviation from the Commission's rules has been shown, based upon SDG&E's local reliability need beginning in 2010, as well as the Commission-approved renewable procurement target of 20 percent that must be achieved by SDG&E by 2010. In view of these immediate needs, good cause has been

established in order to pursue a phased procedural process. A phased process is appropriate because it will provide SDG&E with an answer on the “need” issue in sufficient time to allow SDG&E to pursue alternatives, if necessary. A phased process also will expedite the Commission’s review of the 500 kV transmission project if the Commission determines that there is in fact a need for the project.

This Commission has emphasized, in at least three recent proceedings, the need to “streamline” the Commission’s review process for electric utility transmission projects. In R.04-01-026, the Commission undertook “to address claims that the existing transmission review process promotes inefficiencies and unnecessary redundancies....” Order Instituting Rulemaking (January 22, 2004) at p. 1. In I.05-06-041, the Commission opened an investigation into the methodology that is to be used to assess the economic benefits of a proposed transmission project, and the Commission asked parties to address, among other issues, “[w]hat validation is needed by the Commission in order to rely on a CAISO assessment of need in a Commission transmission project certification proceeding?” Order Instituting Investigation (June 30, 2005) at p. 5. Most recently, in I.05-09-005, the Commission initiated an investigation to “proactively take steps to ensure the development of adequate transmission infrastructure to access renewable resources in California.” See Order Instituting Investigation (September 8, 2005) at p. 1.

SDG&E has proposed an efficient means by which to accelerate the Commission’s review process for SDG&E’s proposed 500 kV transmission project. SDG&E does not propose to “waive” any of the statutory requirements under Section 1003 of the P.U. Code, and SDG&E does not propose to waive any of the requirements under the Commission’s Rules. Moreover, SDG&E does not seek to “bypass” the Commission’s authority to make a determination of need. Rather, SDG&E proposes to comply with all of the statutory and procedural requirements, but on

a phased basis in order to ensure a more efficient process before the Commission. The Commission should welcome and support this approach. A more efficient approach can allow the Commission to exercise its statutory jurisdiction on the “need” issue in a timely fashion.

2. Has SDG&E met that legal standard?

Answer: SDG&E has established “good cause,” under Rule 87, for permitting a deviation from the Commission’s otherwise applicable procedural rules. In view of the relatively short time period between now and 2010, SDG&E’s proposal for a bifurcated process will enable the Commission to act most efficiently and expeditiously concerning the need for SDG&E’s proposed 500 kV transmission line. In the event the Commission finds that a new 500 kV transmission line is not needed, SDG&E will be able to pursue alternative means by which to meet its local reliability requirements, as well as its renewable procurement target, by 2010.

3. Has SDG&E complied with the requirements of § 1003 of the Pub. Util. Code?

Answer: SDG&E has not yet fully complied with the requirements of P.U. Code Section 1003. The Commission cannot grant a CPCN for the Sunrise Powerlink project based upon the information that was provided in SDG&E’s filing. However, SDG&E does not represent that its filing fulfills all the requirements of Section 1003. SDG&E’s application does not yet request that the Commission grant a certificate for the Sunrise Powerlink project. Rather, SDG&E’s application requests as follows:

SDG&E respectfully requests that the Commission: (1) expeditiously process this application, (2) grant SDG&E’s request for a determination of need (3) grant SDG&E’s request to defer the PEA and certain other route-dependent CPCN requirements pending the completion of SDG&E’s public route selection process and (3) grant such other and further relief as the Commission finds to be just and reasonable.

Application at pp. 20-21.

The relief that is requested by SDG&E in this phase of the proceeding is limited to a determination of “need.” SDG&E has presented sufficient evidence with its application to proceed to a hearing on the question of need. SDG&E acknowledged, in its application, that it will have to “complete the Commission’s CPCN requirements in a subsequent filing....” SDG&E Application at p. 1. At that time, when SDG&E makes its supplemental filing, the Commission can judge whether SDG&E has met all of the requirements of P.U. Code Section 1003.

4. Please discuss legal and policy issues regarding delay in providing the legal notice required by the Commission’s rules. Given the Commission’s preference to ensure full public notice, what factors argue in favor of deferring compliance with the requirement?

Answer: Coral Power and La Rosita do not address this issue at this time.

## V.

### CONCLUSION

SDG&E has presented sufficient evidence for the Commission to move forward to consider the issue of “need” for the Sunrise Powerlink project. SDG&E has proposed a procedural approach that is intended to streamline the Commission’s review process.

The Commission must recognize the significance of SDG&E’s impending 2010 service obligations. In order for SDG&E to pursue the resources that it will need to meet its local reliability requirements -- as well as its renewable resource requirements -- by 2010, SDG&E must have a Commission decision on the “need” for the Sunrise Powerlink project as quickly as possible. The approach proposed by SDG&E makes sense and establishes “good cause,” under Rule 87, for deviation from the Commission’s Rules.

Respectfully submitted,

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Date: February 24, 2006

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## CERTIFICATE OF SERVICE

I hereby certify that I have served, this day, a copy of the foregoing **RESPONSE OF CORAL POWER, L.L.C., ENERGIA AZTECA X, S. de R.L. de C.V. AND ENERGIA de BAJA CALIFORNIA, S. de R.L. de C.V. TO THE ASSIGNED COMMISSIONER'S FEBRUARY 10, 2006 RULING** on the service list for A.05-12-014 by electronic mail to each party.

Executed on February 24, 2006, at San Diego, California.

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Sheri Nasim