SDGE

A Sempra Energy utility

DOCKET
06-AFC-3

DATE APR 11 2007
RECD. APR 11 2007

Taylor Miller
Senior Environmental Counsel

925 L Street, Suite #650
Sacramento, CA 95814

Tel: 916-492-4248
Fax: 916-448-1213
tmiller@sempra.com

April 11, 2007

Mr. Bill Pfanner
Project Manager
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Comments on the South Bay Replacement Project (06-AFC-3)

Dear Mr. Pfanner:

San Diego Gas & Electric Company (SDG&E) wishes to respond to some of the points in your memorandum to Commissioner John Geesman and Commissioner Art Rosenfeld and to Mr. Christopher T. Ellison's letter to you in this matter, both of which are dated March 30, 2007.

You stated in your memorandum that the "Port, which controls the land the proposed SBRP would be built on, backed by the Chula Vista City Council, voted in 2001 to sign a new 45-year lease with LS Power (LSP)'s predecessor, Duke Energy upon expiration of the current lease." My understanding is that the San Diego Unified Port District did not vote in 2001 (or at any other time) to sign a new 45-year lease with LSP's predecessor, Duke Energy, upon expiration of the current lease. Thus, your statement concerning the prior vote does not appear to be correct.

Also, you indicated in the second paragraph of your memorandum that SDG&E's Jim Avery at the January 18 joint meeting of the City of Chula Vista and the Port stated "that SDG&E would not purchase the power from the SBRP." As documented in a transcript of the meeting provided by LSP, Chula Vista Mayor Cheryl Cox asked Mr. Avery if SDG&E had committed to purchase any power from the South Bay Replacement Project (Project), and Mr. Avery correctly responded that SDG&E had not. On March 9, 2007, consistent with its December 2006 Long-Term Procurement Plan, SDG&E issued an RFO seeking demand response contracts, at least 200 MW of electricity from new "peaker" plants within SDG&E's service territory, and 500 MW of generation from a power plant in or outside SDG&E's service territory that can run around the clock.

With respect to Mr. Ellison's letter on behalf of LSP, a number of his assertions require a response. As stated in my March 9, 2007 letter, SDG&E neither supports nor opposes the Project as proposed. The primary purpose of the letter was to enable the

Commission to undertake a complete analysis of the "whole of the action," including reasonable alternatives and cumulative impacts.

Mr. Ellison states that my March 9th letter to you on behalf of SDG&E "contradicts the position set forth in the [Interconnection Facilities Study] but also the letter to LSP confirming the validity of the IFS options" from SDG&E's Chief Operating Officer Mike Niggli on March 1st. Mr. Ellison also contends that my March 9th letter "suggesting that 11.7 acres is required assumes an air insulated substation that does not reflect the project as proposed in the AFC or the options addressed in the IFS."

SDG&E acknowledges that planning for a substation with and without the Project and before and after the desired future closure of the existing South Bay Power Plant is complex and potentially confusing. The purpose of Mr. Niggli's March 1st letter was to provide additional information to LSP on the available options concerning the substation. The purpose of my March 9th letter was to inform the Commission of possible project alternatives. Mr. Ellison correctly observes that "the IFS expressly discusses and allows the GIS option" – referring to the option of using gas insulated substation (GIS) technology to reduce the land requirements of the proposed 230/138/69 kV substation to 6.7 acres to accommodate the three voltages LSP requested for its Project. In his March 1st letter, Mr. Niggli stated that the use of GIS technology was one option; the other two options being (1) dismantling the existing 138/69 kV substation and constructing a new 230/138/69 kV substation on a 12 acre site, and (2) keeping the existing substation in place and constructing a new 230/69 kV substation on a 6.7 acre site.

SDG&E has not changed its position on the options outlined in Mr. Niggli's March 1st letter. Given that Mr. Ellison's March 30th letter reflects the unequivocal selection by LSP of the GIS option, the reference to "approximately 6.5 acres" in the AFC is acceptable and does not need to be changed. SDG&E's position, stated both in the IFS and Mr. Niggli's letter, is that the substantial cost required to utilize GIS technology here should be borne by LSP on a nonrefundable basis given that these costs could unnecessarily burden SDG&E's customers without corresponding benefits.

Mr. Ellison further states that "SDG&E's March 9th letter also addresses under 'System Upgrades' various upgrades not identified in the IFS that SDG&E asserts would be necessary if the SBRP is added to a 'different substation configuration' that assumes the existing South Bay Power Plant it not replaced." He states that "these upgrades would occur if SDG&E were to construct a substation for continued operation of the existing South Bay facility notwithstanding that the SBRP is moving ahead and presumably has a by-then executed Large Generator Interconnection Agreement." Mr. Ellison's assumptions as to what the March 9th letter said are incorrect.

The March 9th letter simply stated what LSP has known for some time -- SDG&E's five year transmission plan that has been reviewed by the California Independent System Operator assumes the existing South Bay facility is shut down by 2010 and demolished and

a new plant is not constructed. In this event, SDG&E contemplates replacing the existing South Bay Substation with a new 230/69 kV substation for its own system reliability requirements. However, if the Project goes forward as studied in the IFS and as contemplated by the applicant in its AFC, then SDG&E will be required to install not only 138 kV substation equipment to accommodate the Project, but also substantial 69 kV system upgrades. Accordingly, SDG&E believes that the Commission should consider the upgrades that are required to accommodate the Project during its review of applicant's AFC.

Mr. Ellison states that the March 9th letter indicates that SDG&E may now be taking the position that there is not sufficient room in SDG&E's electric transmission easement for a natural gas line to be installed by SDG&E to service the Project. SDG&E's Preliminary Project Plan was just that, a preliminary plan. Further investigation revealed that there does not appear to be sufficient space to accommodate both the underground electric transmission line and the natural gas line within the existing electric transmission line easement. Additional detailed survey work is required to confirm this determination. SDG&E, however, is willing to work with LSP to come up with a creative solution to address the final routing of the Project's natural gas line within this easement. This may require expansion of the existing electric transmission line easement to accommodate electrical transmission for the Project and other SDG&E electric system improvements.

I hope this letter clarifies the situation. Please contact me if you have any further questions. We intend to engage LSP management in a further discussion of these issues to clarify any misunderstandings between the parties.

Sincerely yours,

Taylor O. Miller
Counsel to SDG&E

Cc: Com. John Geesman
Com. Arthur Rosenfeld
Mr. B. B. Blevins
Mr. John King
Mr. Chris Ellison