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DOCKET
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DATE MAR 30 2007
RECD. MAR 30 2007

March 30, 2007

Bill Pfanner
Project Manager
California Energy Commission
1516 Ninth Street
Sacramento, California 95814

Re: South Bay Replacement Project ("SBRP")

Dear Mr. Pfanner:

On behalf of the applicant, LSP South Bay, LLC ("LSP"), I am writing in response to comments submitted by the San Diego Gas and Electric Company ("SDG&E") in a letter dated March 9, 2007 from Taylor Miller to you. As set forth below, SDG&E's letter is factually inaccurate and contradicts SDG&E's statements in other forums in certain important respects.

The most important errors in the letter concern inconsistencies between it and the Interconnection Facilities Study ("IFS") prepared by SDG&E pursuant to the Federal Power Act for the SBRP. As you know, the IFS is the official, legally-binding document through which SDG&E must inform an interconnecting generator regarding the impacts and costs of interconnection. LSP has confirmed with SDG&E that the IFS previously provided to the Commission staff remains current and valid for this project in all respects. Accordingly, and as a general rule, the Commission should rely upon that document and resolve any inconsistencies between it and the March 9 comments in favor of the IFS.

Among the important inconsistencies between the March 9 comments and the IFS concerns the acreage needed for a new substation that accommodates the SBRP. In the Project Description (pgs. 2-81 - Section 2.3.16.4) the AFC clearly defines the Project as using a gas-insulated substation ("GIS") for the 230kV substation to allow for the relocated substation to fit within 6.5 acres. The GIS component of the substation is also discussed in Section 5.0 of the AFC. The electrical interconnection and substation components of the Project remain as defined in the AFC.

Unlike the March 9 letter, the IFS expressly discusses and allows the GIS option. The IFS provides that it is up to the City of Chula Vista to provide adequate acreage for the substation (meaning 11.7 acres). (*See* IFS at p. 4). If that acreage is not available, however, the

IFS further provides that the use of GIS is permissible and would allow the substation to fit within the 6.5 acres being proposed by LS Power.

Moreover, in light of recent statements made by company officials to the City of Chula Vista ("City") and the Unified Port Authority of San Diego ("Port") on this same issue, the applicant sought clarification from SDG&E regarding the availability of the GIS option and the required acreage for this option. On March 1, 2007, SDG&E provided the attached letter from Michael Niggli to John King which flatly contradicts the company's comments to you sent only eight days later. Mr. Niggli stated:

> SDG&E intends to stand by its commitment to the City of Chula Vista to remove the existing 138/69 kV switchyard consistent with its obligations under the 2004 MOU described above. If LS Power wants SDG&E to modify these plans and have SDG&E instead construct a 230/138/69 kV switchyard that would accommodate a new 620-megawatt power plant on the bayfront, then three options exist. First, if the City of Chula Vista does not provide SDG&E 12 acres which reflect its land requirements both for its own needs and the additional switchyard land requirements to accommodate the LS Power project, then SDG&E would have the option of not removing the existing 138/69 kV switchyard. In this event, SDG&E could proceed with its plans to build a new 230/69 kV switchyard on a 6.7 acre site provided by LS Power consistent with section 5.13 of the Large Generator Interconnection Agreement (LGIA). Second, SDG&E could build a new 230/138/69 kV switchyard on a 12 acre site provided by the City of Chula Vista or by LS Power consistent with section 5.13 of the LGIA. In either of these first two options, SDG&E would be obligated pursuant to the LGIA to refund the amounts paid or advanced by LS Power for delivery or reliability network upgrades and related land costs, together with interest. <u>Third, SDG&E could expand on the second option and then use GIS technology to build a new 230/138/69 kV switchyard on a 6.7 acre site at an additional cost of $15 million grossed up by $5.6 million for the reasons described above.</u>[1]

Thus, SDG&E's March 9 letter not only contradicts the position set forth in the IFS, but also the letter to LSP confirming the validity of the IFS options from SDG&E's CEO written only eight days earlier. Simply put, SDG&E's March 9 comments 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. It is therefore <u>not</u> appropriate to change the size of the relocated substation to 11.7 acres.

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[1] *See* attached letter at p. 3 (emphasis added). Note also that while the applicant and SDG&E do not agree on the allocation and amount of costs associated with the GIS technology, this is a separate issue between LSP and SDG&E subject to resolution by agreement or through the Federal Energy Regulatory Commission. LSP has committed to pay the amounts claimed by SDG&E if this issue is resolved in SDG&E's favor.

Another issue raised by the SDG&E March 9 letter concerns the natural gas line that would be installed by SDG&E. The comment letter says that unlike what is provided on Figure 2.1-3 of the AFC (which shows the gas line in the SDG&E easement) that they are now saying there is not sufficient room in the easement for the gas line. The routing for the gas line in the AFC is based on a Preliminary Project Plan for the gas line prepared and provided by SDG&E on Jan 24, 2006, which clearly shows the routing within the easement (see Section 6.0 and Appendix 6A of the AFC). SDG&E may now be taking the position that there is not sufficient room in the easement, but the AFC is again based on the official information provided by SDG&E to the applicant at the time of filing. The March 9 letter fails to address this inconsistency or explain what facts, if any, have changed since SDG&E prepared the Preliminary Project Plan. LSP again believes the Commission should rely upon the official document prepared by SDG&E (here the Preliminary Project Plan included in Appendix 6A of the AFC) rather than the March 9 comments, especially where there is an inconsistency not adequately explained by the company.

Finally, SDG&E's March 9 letter also addresses under "System Upgrades" various upgrades <u>not</u> 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 is not replaced." (SDG&E letter at p. 2). The letter goes on to suggest that these additional upgrades should be evaluated in the AFC as part of the SBRP project.

Once again, this position contradicts SDG&E's official position in the IFS. And again, this position assumes a project different from the SBRP as proposed in the AFC. The SBRP is unequivocally intended to *replace* the existing South Bay Power Plant. Indeed, there are many reasons that the SBRP *cannot* go forward *without* replacing the existing facility, as the applicant has previously enumerated in our letter to Staff dated February 13, 2007. Moreover, the proposed SBRP includes the three voltage substation evaluated in the IFS and not the two-voltage plan SDG&E appears to assume in this comment.

The only way the upgrades described by SDG&E could occur is if SDG&E engaged in what could only be described as grossly negligent transmission planning in violation of its own IFS. That is, these upgrades only 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 ("LGIA"). LSP fully expects that SDG&E will plan its various upgrades rationally taking into account all reasonably expected needs.

These are LSP's major concerns with SDG&E's March 9 letter, recognizing there are also less significant issues that we reserve the right to address later in this proceeding. We also anticipate addressing these and other issues concerning the letter directly with SDG&E, including the fundamental question of why, at this late stage and without any advance notice to

us, SDG&E is attempting to so significantly alter the prior understanding LSP thought it had reached with them with respect to the substation design, as evidenced by the IFS, the draft LGIA and Mr. Niggli's letter to LSP of March 1.

Please do not hesitate to contact me at your convenience if you have any questions or concerns.

Respectfully submitted,

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Attorney for LSP South Bay, LLC

Cc: Commissioner John Geesman, Presiding Member
Commissioner Arthur Rosenfeld, Associate Member
Debra Reed, President and CEO of SDG&E
Michael Niggli, Chief Operating Officer of SDG&E

DECLARATION OF SERVICE

I, Deric J. Wittenborn, of Ellison, Schneider and Harris, LLP, located at 2015 H Street, Sacramento, CA 95814, declare that on March 30, 2007, I transmitted the foregoing ***Letter from Mr. Christopher T. Ellison in response to comments submitted by the San Diego Gas and Electric Company ("SDG&E") in a letter dated March 9, 2007 from Taylor Miller to Project Manager Bill Pfanner*** via e-mail and consistent with the requirements of California Code of Regulations, title 20, Sections 1209, 1209.5, and 1210, or as indicated by first class postal mail, to each individual identified on the attached service list.

I declare under penalty of perjury that the foregoing is true and correct.

Deric J. Wittenborn

Poof of Service
Docket No. 06-AFC-3
March 30, 2007

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