

Comment Set E0001
San Diego Gas and Electric Company



Michael R. Niggli
Chief Operating Officer

8330 Century Park Court
San Diego, CA 92123-1530

Tel: 858.650.6175
Fax: 858.650.6106
MNiggli@SempraUtilities.com

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REVISED VERSION

VIA EMAIL

Ms. Billie Blanchard
Energy Division
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102

Ms Lynda Kastoll
El Centro Field Office
Bureau of Land Management
1661 S. 4th Street
El Centro, CA 92243

Dear Ms. Blanchard and Ms. Kastoll:

San Diego Gas & Electric Company (SDG&E) has received the Draft Environmental Impact Report/Environmental Impact Statement (DEIR/DEIS) for the proposed Sunrise Powerlink transmission line.

In accordance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), SDG&E will submit substantial, detailed comments on the various elements and findings of the DEIR/DEIS within the 90-day comment period once our experts have completed their analysis of the document. To provide early input to the Energy Division and Bureau of Land Management on the DEIR/DEIS, SDG&E submits the following overview comments on some of the conclusions and findings.

SDG&E filed the initial application for the Sunrise Powerlink with the California Public Utilities Commission (Commission) more than two years ago. The line was proposed to meet three primary objectives and state policy, including:

- Improved reliability;
- Greater access to renewable energy to satisfy the state's Renewable Portfolio Standard (RPS) and more recently the AB 32 greenhouse gas (GHG) emission reduction mandates; and
- Lower cost for our customers

Since the initial filing, the Sunrise Powerlink has been compared to an unprecedented range of project alternatives on a technical, economic and now environmental basis.

Given the time and resources devoted to this task, SDG&E is surprised and concerned about the treatment in the DEIR/DEIS of several fundamental issues.

First, the DEIR/DEIS fails to consider how the project and alternatives meet or advance state energy and environmental policies, in particular, renewable development, GHG emission reductions, and resource procurement. Second, it

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identifies various purportedly “environmentally superior” alternatives to the project in the face of evidence before the Commission and in the DEIR/DEIS that shows that such alternatives are, at best, speculative and hypothetical. Third, based on our preliminary review, it appears the Sunrise Powerlink is assigned impacts and costs that are not considered for the alternatives, which affects the comparison, screening and “ranking” of some alternatives with the proposed project.

E0001-1 cont.

Below we provide examples of our initial concerns, and we expect to provide more detail on these and other examples in future comments.

New In-Area All-Source Generation Alternative

E0001-2

The New In-Area All-Source Generation Alternative, which was selected as the environmentally superior alternative, calls for a new 620 MW base load power plant, four smaller “peaker” plants totaling about 250 MW and 203 MW of renewable resources. Eighty-two percent of the generation counted for reliability purposes proposed for this alternative would burn fossil fuels.

The alternative not only fails to meet most of the project objectives identified by SDG&E, but also conflicts with the policy decisions of Governor Schwarzenegger and the California Legislature mandating greater use of renewable resources and less fossil fuels to meet our customers’ energy needs.

By building substantially more fossil generation in lieu of the Sunrise Powerlink, which would import up to 1,000 MW of renewable resources, this alternative will prevent SDG&E from meeting the state’s RPS and AB 32 GHG emission reduction targets.

The 203 MW of renewable projects identified for this alternative – even if they were all economically or technically feasible – fall far short of what SDG&E needs to comply with state law. More importantly, no developer will believe the state is serious about renewable energy generation development when an important tool they need to be successful – new transmission capacity – is tossed aside in favor of fossil generation.

Adoption of this alternative will substantially impede efforts to develop the renewable power supplies in the Imperial Valley – the very resources the State of California is counting on to battle climate change.

The feasibility of this alternative is questionable at best, as it relies on several proposed generation facilities that are uncertain or have been completely abandoned by developers because of strong local opposition, as well as on the unproven ability to greatly expand solar photovoltaic generating capability. The DEIR/DEIS also correctly notes that several regulatory challenges with this option could lead to schedule delays.

E0001-3

For instance, the DEIR/DEIS fully analyzes the South Bay Replacement Project on the City of Chula Vista’s bay front as a possible candidate for the new base load power plant despite the applicant, LS Power, having withdrawn its application from the California Energy Commission (CEC) due to opposition from the City of Chula Vista and the Port of San Diego. The DEIR/DEIS states in pertinent part:

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"Decisions in February and March 2007 by the City of Chula Vista and the Port of San Diego indicate that the power plant faces opposition. In October 2007, the Applicant withdrew the AFC in the CEC proceeding." (E.6-5)

E0001-3 cont.

"...it now appears that a new power plant will not be constructed at the Chula Vista site." (E.6-10)

The DEIR/DEIS analyzes a second base load power plant called the San Diego Community Power Project (SDCPP) proposed near the City of Santee and concludes:

"The SDCPP's development status is unclear...The SDCPP has not submitted an application for certification (AFC) to the CEC." (E.6-11)

The DEIR/DEIS admits that a fossil generation alternative like this faces other challenges, including the lack of emission offsets and potential schedule delays:

"Generation projects are subject to various regulatory processes that can delay the project schedule...obtaining offsets would be a challenge because of the lack of available offsets in the San Diego basin (Eastman, 2006). Even if the CEC were to approve the project, the decision could contain conditions that would make development impractical." (C-80)

It is unclear how the DEIR/DEIS could select this menu of generation options as the environmentally superior alternative when there is no definitive project analyzed. The use of hypothetical elements and stalled or abandoned projects as the basis for the alternative does not provide a true comparison to the proposed project. The San Diego area's need for reliability improvements is real and imminent. Our customers deserve solutions that are real and feasible.

New In-Area Renewable Generation Alternative

E0001-4

The New In-Area Renewable Generation Alternative calls for 1,000 MW of wind, solar thermal, solar photovoltaics and biomass/biogas to be constructed in San Diego County.

SDG&E disagrees with the DEIR/DEIS that this option would meet the major project objectives of reducing costs and improving reliability. In fact, the DEIR/DEIS provides clear evidence that the alternative is highly uneconomic for ratepayers, provides marginal reliability benefits and could not be implemented in time to meet the reliability deficiency forecasted for 2010.

The centerpiece of this option is a hypothetical 2.3 square mile, 232 MW solar thermal project in Borrego Springs. As the DEIR/DEIS points out, "...no developers have identified sites in Borrego Springs for such a large solar thermal project..." (E.5.1.1). The DEIR/DEIS estimates such a project would not be developed until 2016 (C-75) despite the need to address a reliability deficiency in 2010.

The delayed in-service date for this option is not surprising considering the DEIR/DEIS indicates the need for a new 36-mile transmission line through the community of Borrego Springs and the Anza Borrego Desert State Park for this

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option to be realized. Substantial upgrades to several substations and other power lines would also be needed (E.5-6). SDG&E is currently evaluating the upgrades that would probably be constructed in conjunction with this hypothetical generation project. Given these probable upgrades, the project is likely economically unjustifiable. Further, these additional upgrades would be similar to the proposed project from an environmental impact perspective while failing to deliver any of the import capabilities offered by Sunrise.

E0001-4 cont.

The option also counts on 105 MW (firm on-peak) from solar photovoltaics by 2010, requiring more than 20,000 residential and 85 commercial installations per year over the next three years (E-5.12). This is in addition to the photovoltaic systems expected to be installed even without the project, such as those resulting from the California Solar Initiative (E.5-12) which accounted for 270 residential and 2 commercial systems that were installed and funded in SDG&E's service territory in 2007. It is significant to note that only 1,000 photovoltaic systems were installed in SDG&E's service territory in 2007 for a total of 4.35 MW (firm on-peak).

The DEIR/DEIS acknowledges that such a massive expansion of rooftop photovoltaics is unlikely in the short term:

"The cost to achieve the anticipated levels of PV installation related to hundreds of individual PV systems would also likely be prohibitive" (C-74)

"Economic, legal, and technical feasibility challenges would need to be overcome in order to develop numerous individual PV installations throughout San Diego County." (C-75)

The DEIR/DEIS also recognizes that closure of more polluting gas-fired power plants – and the associated reductions in greenhouse gas emissions – would not occur under this alternative (H-137).

Basing San Diego's future on projects that are hypothetical and technically infeasible is dangerous and puts our customers' energy reliability at risk. The Sunrise Powerlink, on the other hand, meets the purported intent of this alternative – namely increased use of clean, renewable resources – while ensuring the reliability of the grid.

LEAPS Transmission-Only Alternative

The LEAPS Transmission-Only Alternative, as described in the DEIR/DEIS, is a 32-mile 500 kV line connecting the SDG&E and Southern California Edison (SCE) grids, a 48-mile 230 kV line in San Diego and a new 500/230 kV substation.

E0001-5

SDG&E disagrees with the DEIR/DEIS that this option would meet the major project objectives of reducing costs, improving reliability, and providing access to renewables allowing SDG&E to meet its RPS goals beginning in 2010. In fact, the DEIR/DEIS ignores that The Nevada Hydro Company (TNHC), as one of the sponsors of the Lake Elsinore Advanced Pumped Storage (LEAPS) project, including the Talega-Escondido/Valley-Serrano (TE/VS) transmission line, has filed a CPCN application, but only for the transmission line that supports the presence of the pumped storage unit.

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TNHC has filed this application as a backstop in the event the FERC fails to license LEAPS, including the TE/VS transmission line. TNHC's Proponent's Environmental Assessment (PEA) accompanying the CPCN application describes the combined project. Elsewhere, TNHC has made statements that it does not plan to build the transmission line without the pumped storage component. Yet the DEIR/DEIS recognized that the LEAPS Transmission and Generation Alternative has far more significant environmental impacts than the Sunrise Project and thus is "ranked" environmentally inferior to the Sunrise Project.

E0001-5 cont.

This alternative relies, yet again, on what the DEIR/DEIS describes as a "hypothetical project" (E.7-1) that is not even supported by either of the co-applicants for the LEAPS project at the FERC. Recent comments in *The Press Enterprise* on November 9, 2007 by an EVMWD spokesperson sum it up best:

"The PUC should not be getting involved with the project because it is not a power-lines project," water district spokesman Greg Morrison said.

EVMWD has also submitted formal comments to the FERC (December 16, 2006) that objected to the issuance of a license that includes the 500 kV transmission interconnection as a separate project. To SDG&E's knowledge, neither sponsor intends to pursue a transmission-only project without the pumped storage component and, therefore, it is unclear why the DEIR/DEIS would consider such a phantom alternative.

Moreover, the LEAPS Transmission-Only Alternative also fails to meet the critical project objective of providing direct access to renewable resources in the Imperial Valley as acknowledged by TNHC during the Phase 1 hearing process (TNHC Opening Brief at p. 16).

The DEIR/DEIS agrees:

"...it would be less likely to meet objectives related to delivery of renewable energy." (C-69)

The DEIR/DEIS goes on to say this alternative would provide access to wind resources in Tehachapi and San Geronio (E.7-7). SDG&E issues Request for Offers for green energy resources each year to renewable developers. Since 2005, SDG&E has received limited offers for renewable resources located north of San Diego County that meet the "Least-Cost, Best-Fit" screening criteria established by this Commission. However, there is substantial developer interest in the Imperial Valley region, evidenced by the more than 6500 MW of renewable projects that are now in the California Independent System Operator queue.

San Diego needs direct transmission access to the Imperial Valley to reach the state's renewable energy goals. The Imperial Valley region is very unique in that it offers a full range of renewable technologies and resource types, including solar, wind and geothermal. Direct access is not provided by the LEAPS Transmission-Only Alternative. According to the California Energy Commission:

"One of the primary difficulties with the Renewable Portfolio Standard is the lack of adequate transmission to access

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important renewable resources in...the Imperial Valley..." (IEPR Update, 2006)

E0001-5 cont.

Without new transmission capacity to this region, proposed renewable projects in the region that are counting on the Sunrise Powerlink and any future contracts that would access a new transmission connection to the San Diego area will likely fail or be delayed.

The LEAPS Transmission-Only Alternative, even if the line could be built absent the pumped storage component, also fails to meet the objective of reducing costs for customers and increasing the import capability into the San Diego area that is needed to address the reliability deficiency SDG&E and the CAISO forecast will occur by 2010. The DEIR/DEIS did not consider the substantial transmission upgrades within SDG&E's systems needed to provide a meaningful contribution to the San Diego area reliability requirements. SDG&E has performed studies suggesting it would take well over \$1 billion in additional transmission upgrades to make 795 MW of capacity available to the San Diego area. These costs would be in addition to the estimated \$588 million cost of the transmission line itself.

Proposed Project and Routing Alternatives

SDG&E continues to study these routing options for the Sunrise Powerlink and plans to provide substantial comments over the next 90 days. However, SDG&E maintains that the proposed project remains the superior and most cost-effective alternative that provides the greatest reliability and access to renewables for our customers.

E0001-6

The bulk of comments on the routing alternatives will be submitted at a later date. However, we raise one critical issue now.

It has been determined that the Environmentally Superior Southern Route (SWPL) Alternative will need to meet stricter performance reliability criteria than the proposed project by the Western Electricity Coordinating Council (WECC) Reliability Performance Evaluation Work Group and Reliability Subcommittee (RPEWG).¹

After careful independent review, the RPEWG did not approve the southern route alternative for less stringent performance reliability criteria. The analysis determined that the southern route alternative would require the development of a system protection scheme whereby up to 1000 MW of load in the San Diego area would have to be dropped in the event both the Southwest Powerlink and Sunrise Powerlink are forced out of service simultaneously. The proposed project, on the other hand, was approved for the less stringent performance reliability criteria and will not require this mitigation scheme.²

A requirement to implement a load dropping scheme ultimately defeats a key purpose of building the Sunrise Powerlink – namely to improve service reliability for our customers.

Conclusion

¹ WECC RPEWG Sunrise Powerlink recommendation 12-20-07
http://www.wecc.biz/documents/library/RPEWG/RPEWG%20Sunrise%20Powerlink%20recommendation_rev1.doc

² Subject to approval by WECC Board of Directors

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E0001-7

It is clear that the proposed project remains the only option that meets all of the major objectives of improving reliability, expanding access to renewable resources in the Imperial Valley and reducing cost for customers. We hope that the final EIR/EIS will consider these objectives in the context of established state energy and environmental policies, and will compare the project and alternatives on a more useful basis.

SDG&E is responsible for providing the infrastructure that keeps the lights on. We take that responsibility very seriously. That is why we cannot base the energy future of this region on infeasible and hypothetical projects that may never come to fruition.

Further, we must carefully consider the impacts on the environment as we develop our long-term resource plan. It is no longer acceptable to rely almost exclusively on fossil fuels to maintain a reliable grid, as proposed in the DEIR/DEIS.

California has reached an energy crossroads and a choice needs to be made: Do we ignore state policy, continue taking the easy road and build substantially more fossil-based power plants to satisfy the needs of our customers as called for in the DEIR/DEIS? Or do we embrace this unprecedented opportunity to "go green" in California and build needed transmission lines like the Sunrise Powerlink that will improve reliability, import clean energy supplies and help support the renewable revolution that's underway?

Governor Schwarzenegger and State Legislature have made their decision clear: the state will follow the path that leads to a greener energy future. With the Commission's support of needed projects like the Sunrise Powerlink, we can work cooperatively to implement this vision for a cleaner and more reliable California.

Sincerely,



Michael R. Niggli
Chief Operating Officer
San Diego Gas & Electric Company
Southern California Gas Company

cc: E. Gregory Barnes
Jill Larson

Responses to Comment Set E0001 San Diego Gas and Electric Company

E0001-1 SDG&E's three general concerns are addressed below and in detail in General Responses GR-1 to GR-4 and GR-8, respectively.

E0001-2 SDG&E states that the Draft EIR/EIS does not consider how the project and alternatives meet or advance state energy and environmental policies in general, and provides the New In-Area All-Source Generation Alternative as an example of an alternative which SDG&E believes does not meet project objectives and RPS goals and conflicts with AB 32 greenhouse gas (GHG) emission reduction targets. Please refer to General Responses GR-1, for a discussion of project objectives and the New In-Area All-Source Generation Alternative, and GR-8, for a discussion of GHG impacts.

The New In-Area All-Source Alternative is analyzed in detail in Section E.6 of the Draft EIR/EIS. As explained in detail in General Response GR-1, the New In-Area All-Source Alternative is a potentially feasible alternative that would meet most project objectives and would reduce or avoid significant impacts of the Proposed Project, as required by CEQA. While SDG&E's comment letter identifies a concern about meeting AB 32 greenhouse gas (GHG) emission reduction mandates, satisfying AB 32 mandates is not a project objective. (See Draft EIR/EIS Sections A.2.1 & A.2.2; SDG&E's PEA [Section 3.1]; and Draft EIR/EIS, Appendix 1, Section 3.2.1.1 [Consistency with Project Objectives].) Regardless, the New In-Area All-Source Generation Alternative would not prevent SDG&E from meeting the AB 32 GHG emissions reductions and would not conflict with policies regarding GHG emissions. Under the most probable, but yet undefined, future regulations implementing AB 32, the electricity sector including power plants could fall within a cap-and-trade program to reduce GHG emissions and emissions would be regulated at the point of delivery into SDG&E's grid (as found by CPUC in Rulemaking R. 06-04-009). Because existing and new power plants alike would be subject to these requirements, the emissions caused by the New In-Area All-Source Generation Alternative would be regulated.

Determining the effectiveness of the Proposed Project versus the New In-Area All-Source Generation Alternative in achieving RPS goals or GHG reduction targets is not within the scope of the EIR/EIS. The proportion of renewable energy provided in the New In-Area All-Source Generation Alternative does not need to match the RPS goals, since SDG&E is expected to comply with RPS goals and pursue its existing RPS procurement strategies with or without the Proposed Project or alternatives.

E0001-3 SDG&E states that the New In-Area All-Source Generation Alternative's feasibility is questionable. Please refer to General Response GR-1 for a discussion of the New In-Area All-Source Generation Alternative's potential feasibility and the specific baseload generation components of this alternative.

E0001-4 See General Response GR-2 for a discussion of the New In-Area Renewables Generation Alternative's ability to meet project objectives. General Response GR-2 also includes a discussion regarding the potential feasibility of the wind, biogas/biomass, solar thermal and solar PV generation components of the New In-Area Renewable Generation Alternative.

E0001-5 SDG&E has commented that the LEAPS Transmission-Only Alternative would not meet project objectives and that it is a hypothetical project. Please refer to General Response

GR-4 for a discussion of the potential feasibility of both the LEAPS Transmission-Only Alternative and the LEAPS Generation and Transmission Alternative and their ability to meet project objectives.

E0001-6 With regard to the comment that the Environmentally Superior Southern Route Alternative would need to meet stricter performance reliability criteria than the Proposed Project, please refer to General Response GR-3. As explained there, service reliability would be improved under both the Proposed Project and SWPL Alternatives.

E0001-7 Please refer to Responses E0001-2 through E0001-5 and General Responses GR-1, GR-2, GR-3, and GR-4 for discussions of the alternatives related to project objectives, feasibility, renewables, and State energy policies. SDG&E's position in support of the Proposed Project is acknowledged.

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