

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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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. 06-08-010  
(Filed August 4, 2006)

**TENTH QUARTERLY PROJECT STATUS REPORT  
OF SAN DIEGO GAS & ELECTRIC COMPANY  
Q2 2011**

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July 15, 2011

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Pursuant to D.08-12-058<sup>1</sup>, San Diego Gas & Electric Company (“SDG&E”) hereby files<sup>2</sup> and serves the following quarterly project status report on the progress of the Sunrise Powerlink Transmission Project (“Sunrise”) in accordance with ordering paragraph #13.<sup>3</sup>

**I. THE DECISION DIRECTS SDG&E TO PROVIDE THE FOLLOWING INFORMATION**

Ordering paragraph #13, as well as discussion in the body of the Decision,<sup>4</sup> directs SDG&E to provide project status updates, answering eight questions regarding the progress of the project.

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<sup>1</sup> Referred to herein as the “Decision.”

<sup>2</sup> D.09-12-004 (finding of fact 1, ordering paragraph 1) clarified that these quarterly status reports should be filed.

<sup>3</sup> While the ordering paragraph does not specifically identify a date for the quarterly reports, as described on p. 1 of its first quarterly project status report submitted herein, SDG&E is planning to serve the quarterly reports on the 15<sup>th</sup> day of the month following each natural end of the calendar quarter, *i.e.*, April 15, July 15, October 15 and January 15. This allows the reports to capture the quarter-ending financial data that is not available on the final day of the quarter, but is available in the early part of each following month. SDG&E believes that this schedule will provide the Commission with the most current and accurate information available.

<sup>4</sup> Decision at 276-277.

The most significant development of the past quarter was the beginning of overhead construction on the Sunrise transmission line on Bureau of Land Management (“BLM”) land. The BLM issued a notice to proceed with construction of the portion of Sunrise on BLM land in April 2011. This follows the beginning of construction on the underground portion and Suncrest substation in the fourth quarter of 2010 and the beginning of overhead construction on non-BLM land in the first quarter of 2011.

Additional, on June 30, 2011, a federal district court judge in San Diego ruled in favor of the Sunrise Powerlink project and disposed of a lawsuit brought by project opponents to challenge the BLM’s approval of the project. The court’s decision also denied an injunction project opponents were seeking to halt construction of the project on BLM land. Plaintiffs’ claims were the subject of a June 21, 2011 hearing before Judge Roger Benitez.

**1. Comprehensive project development schedule, including estimated project in-service date;**

SDG&E’s current project development schedule is attached to this report as Appendix A. The estimated project in-service date remains approximately June 2012.

**2. Any changes in project scope and schedule, including the reasons for such changes;**

There have been no changes to the project scope. Construction began on the underground section on November 30, 2010, the Suncrest substation on December 17, 2010, and the non-federal land portion of the overhead section on January 20, 2011. On April 5, 2011 a notice to proceed was received and construction began for the overhead sections on the BLM jurisdictional areas. The construction start date change from the June 2010 date reported originally is due to delays in acquiring environmental permits. The permits to begin construction on the remaining overhead sections, that is, Marine Corps Air Station (“MCAS”) Miramar and

United States Forest Service (“USFS”) jurisdictional areas, are expected to issue in the third quarter of 2011.

Even after Notices to Proceed (“NTPs”) were issued for the sections mentioned above, construction delays have been experienced in the underground and overhead sections due primarily to mitigation measure B-8a. The mitigation measure states that no vegetation clearing will occur during the bird nesting season. The nesting season begins in the middle of January and ends in the middle of August. Construction can currently occur in areas with no vegetation, but there are limited numbers of those sites. The project team successfully came to agreement on a bird nest survey protocol with the responsible agencies to allow for construction to proceed while still meeting the intent of the applicable mitigation measure. This protocol allows for vegetation clearing activities to proceed in lightly vegetated areas where bird nests can be identified as approved by the Wildlife Agencies.

**3. Specifically address the need for the Encina transformer, the cost of undergrounding in Alpine Boulevard, and the amount of undergrounding contemplated;**

The California Independent System Operator (“CAISO”) confirmed the need for the Encina transformer in a letter to ALJ Vieth and the Sunrise service list on April 28, 2009. The transformer is scheduled to be in-service on or before June 2012.

The undergrounding in Alpine Boulevard from Peutz Valley to the entrance to the Star Valley Option is approximately 5.85 miles in length under the current design. The Forest Service ROD selected the revised Star Valley Option for the eastern terminus of the underground line, which comprises an additional .35 miles of underground. The total estimated cost of undergrounding in Alpine Blvd is \$244M for the Peutz Valley to the revised Star Valley Option. These costs do not include AFUDC, support costs or mitigation costs.

**4. Any engineering difficulties encountered in constructing the project;**

The terrain for much of the alignment is challenging. The inability to design access roads in certain areas due to environmental concerns has increased the need to access towers via helicopter. However, the engineering difficulties have not currently caused any change in cost, scope, or schedule. Due to the permitting delays and delays caused by the nesting season, towers that were slated for conventional erection are going to be installed using helicopters. At the time the CPCN was issued, it was estimated that 20% of the towers would need to be installed using helicopters. Currently, that number is over 75%.

**5. Total estimated project costs;**

The total estimated cost of the project remains unchanged at \$1.883 billion.

**6. Actual spending to date;**

The actual project spending through the end of the first quarter 2011 (6/30/11) is \$960 million.

**7. Any and all filings submitted to FERC for ultimate cost recovery through transmission rates; and**

No such filings have been submitted to date.

**8. Any additional information SDG&E believes relevant and necessary to accurately convey the status of the Sunrise project.**

**a. SDG&E-Citizens Energy agreement**

The Commission approved SDG&E's Section 851 application by a unanimous vote at the May 26, 2011 business meeting. President Peevey stressed the public interest benefits of the agreement, particularly Citizens' financial support of low-income customers in Imperial County, and also the innovative and unique agreement created by SDG&E and Citizens Energy. Other commissioners reiterated the need to support Imperial County, which has 27% unemployment rate.

For background on the agreement and application, SDG&E and Citizens Energy (“Citizens”) reached a development and coordination agreement on May 11, 2009. This agreement is the result of discussions that follow from an earlier memorandum of agreement (“MOA”) regarding joint participation in the project, which was executed in 2006.<sup>5</sup> Under the agreement, Citizens would lease 50% of the transfer capability of the Sunrise Powerlink from the Imperial Valley substation to the Imperial County/San Diego County line for a term of 30 years. Citizens will prepay a lease amount for the 30 year term. Citizens agrees to request the CAISO to (1) treat Citizens as a Participating Transmission Owner, (2) turn over operational control of that capacity to the CAISO, and (3) seek acceptance by the Federal Energy Regulatory Commission (“FERC”) of transmission rates substantially similar to the rate SDG&E could recover if SDG&E constructed Sunrise without Citizens’ participation. Citizens’ transfer capability will revert back to SDG&E at the end of the 30 year lease.

The agreement does not change SDG&E’s renewable energy commitments, Citizens has agreed to use a rate substantially similar to the rate that would be charged by SDG&E, and Citizens agrees to invest at least 50% of its profits from the agreement in low-income programs in the Imperial Valley.

SDG&E filed an application (also signed and verified by Citizens Energy) on October 9, 2009 with the Commission under Public Utilities Code § 851 for approval of the development and coordination agreement with Citizens (A.09-10-010). Also on October 9, SDG&E and

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<sup>5</sup> The original MOA was executed March 16, 2006 between SDG&E, Imperial Irrigation District (“IID”), and Citizens Energy. IID subsequently withdrew from this agreement in November 2007. The MOA, and IID’s withdrawal, was described in SDG&E’s prepared testimony admitted into the record of this proceeding. *See* Ex. SD-4 at 8-9; Ex. SD-5 at I-22 to I-24; Ex. SD-6 at IV-10 to IV-11 (describing MOA); Ex. SD-5 at Appendix I-2 (executed MOA and supplement); Ex. SD-5, Appendix II at II-36; Ex. SD-35 at 1.31-34 (addressing effects of IID’s withdrawal). *See also*, Ex. ID-3 at 8-9 (describing IID’s withdrawal).

Citizens Energy each filed petitions for a declaratory order with the FERC for approval of certain ratemaking and accounting treatment for the lease under this agreement (Docket Nos. EL10-2-000 and EL10-3-000). On December 17, 2009, FERC issued an order approving the ratemaking principles requested by Citizens (129 FERC ¶ 61,242), and a separate order acceptable to SDG&E approving an accounting treatment for the lease applicable to SDG&E's transmission rates (129 FERC ¶ 61,233).

**b. Import limitation at Miguel Substation**

Currently, imports into Miguel substation can be limited by the amount of generation produced by the TDM and Intergen generators in Mexico. Low levels of generation restrict the amount of power that can be imported into Miguel substation because there is less generation that can be tripped—via a Special Protection Scheme (“SPS”)—in the Imperial Valley to mitigate an overload of one 500/230 kV transformer at Miguel substation for the loss of the other transformer.

In coordination with the CAISO, IID, CFE, and APS, SDG&E has modified the existing SPS to eliminate the need to limit imports into Miguel substation when the output of the TDM and Intergen plants is low. With the modified SPS, the maximum level of imports into Miguel substation is 1800 MW, regardless of how much power the TDM and Intergen plants are producing.

The SPS modifications were placed in service on August 3, 2009.

**c. Procurement activities**

As detailed in previous quarterly reports, pre-construction activities such as procuring long-lead equipment, land right acquisition, environmental surveys, and detailed engineering design have been moving forward in order to meet the construction start dates and needs. Equipment such as lattice towers, underground cable and transformers for the new substation

have been ordered and 75% of the towers and all of the underground cable have been delivered. Other materials such as conductor, insulators, fiber optic cable, miscellaneous hardware, and steel poles have been ordered and approximately 70% have been delivered. The construction contractors, PAR Electrical Contractors for the overhead and underground sections and Beta Engineering for the Suncrest substation, have begun construction. Order of possession has been obtained for all properties. A small number of properties will be going through the condemnation process but order of possession has been obtained for these properties.

Notices to proceed have been issued by the Commission for construction activities in SDG&E's main construction yards, in existing substations, the underground section, all but the USFS lands and MCAS Miramar on the overhead sections, and Suncrest substation. Construction of field offices at the two main yards and the material yard preparation in Alpine have been completed.

The activities in the existing substations are related to upgrades required to accommodate the new Sunrise transmission line.

**d. Efforts to fulfill Sunrise renewables requirement**

On May 12, 2011, SDG&E issued a Request for Offers ("RFO") seeking bids for renewable projects. The RFO reflects SDG&E's continued outreach for projects located in and surrounding the Imperial Valley by: 1) waiving the required bid fee for shortlisted projects in Sunrise Power Link region; and 2) hosting a special Pre-Bid conference at SDG&E's El Centro office on June 8, 2011. The solicitation closed on July 11, 2011. Based on a preliminary review of bid data that is subject to change, SDG&E believes that the response from Imperial Valley bidders was robust with at least 95 bids submitted.

In addition to those agreements referenced in earlier Sunrise quarterly reports, SDG&E executed a total of 25 Power Purchase Agreements (PPA) in the reporting quarter. These

projects are expected to deliver up to 1,077 GWh of renewable energy at full capacity. Projects are scheduled to begin deliveries in 2013 and 2014. 95% of output of the executed contracts (1,027 GWh annually) will be located in the Imperial Valley region. The table below summarizes the Imperial Valley region contracts executed Q2:

<b>Project Name/ Counterparty Name</b>	<b>Execution Date</b>	<b>Technology</b>	<b>Location</b>	<b>Terms (years)</b>	<b>Start Date</b>	<b>Capacity (MW)</b>	<b>Estimated Annual Deliveries (GWh)</b>
Energia Sierra Juarez (Sempra Generation)	4/6/2011	Wind	La Rumorosa, BCN	20	1/1/2014	100	400
Rugged Solar (Soitec)	5/7/2011	Solar PV	Boulevard, CA	25	12/31/2014	80	203
Tierra del Sol (Soitec)	5/7/2011	Solar PV	Boulevard, CA	25	12/31/2014	45	113
SolarGen 2, LLC	6/24/2011	Solar PV	Imperial Valley, Ca	25	9/30/2012	150	361

**e. Community outreach**

The Public Affairs team, along with Capitol Strategies Group and Southwest Strategies, won a second Silver Anvil Award from the National Public Relations Society of America (PRSA) for Phase Two of the Sunrise Powerlink's Public Affairs Program. The entry was titled, “Sunrise Powerlink: Transitioning to a Cleaner, Brighter Energy Future.” The Silver Anvil is the top award given by PRSA to companies and projects that exemplify the very best in public affairs and public relations throughout the country.

SDG&E continues to implement MM L-1a, the company’s Construction Notification Plan. Recent community outreach has included a third Alpine Business Walk, proactively providing local radio stations and news outlets weekly construction updates and working with business owners and community residents on a individual basis to address construction-related questions and requests.

The East County Community Relations office in Alpine continues to staff two full-time employees and regularly rotates other public affairs staff as needed. The office will remain open 40-hours per week for the duration of construction. SDG&E will continue to provide informative presentations, construction updates and project briefings to elected officials, key stakeholders and interested residents for the duration of the project.

**f. Environmental mitigation**

SDG&E continues to implement the construction and environmental mitigation measures identified in the Final Environmental Impact Report/ Environmental Impact Statement (“FEIR/EIS”). These measures cover a multitude of issue areas including biological, cultural, water, air, noise, land use, wilderness, recreational, and agricultural resources. As stated in Section I.2 above, some of these mitigation measures are very onerous to implement in construction as they significantly restrict activities throughout major portions of the year making it extremely difficult to meet scheduled in-service dates.

One of the significant mitigation measures requires that, after minimizing impacts to biological resources and prior to incurring any project impacts, a Habitat Acquisition Plan (“HAP”) and a Habitat Management Plan (“HMP”) must be prepared. A HAP/HMP was prepared and approved for project impacts to lands outside of the US Forest Service (“USFS”). A separate HAP/HMP was prepared and approved for those impacts on USFS lands in the first quarter of 2011. These plans have been coordinated with all appropriate agencies including the CPUC, BLM, USFS, U.S. Fish & Wildlife Service, and CA Dept. of Fish & Game. Final negotiations for acquiring all properties are expected to be completed in the third quarter of 2011. Establishment of the agreements for funding and managing the mitigation lands in perpetuity as required by the mitigation measures is expected to be completed by the end of 2011.

A second set of significant mitigation measures address cultural and paleontological resources along the project alignment. To date, field surveys of the alignment have been completed and the final survey report has been finalized and approved by the appropriate agencies and Native American Tribal representatives. A second report, the Historic Properties Management Plan, which details how resources will be managed if impacted by the project construction, has been reviewed and approved by the appropriate agencies and Native American Tribal representatives. A third report, the Historic Properties Treatment Plan (“HPTP”), has been drafted and details the few locations which will be impacted by the project construction and how those resources will be treated. This report was issued to the appropriate agencies and Native American Tribal representatives in May of 2011 and comments were received at the end of the second quarter of 2011. The report is expected to be issued as final in the third quarter of 2011. The HPTP approval has taken more time than anticipated partially due to the number of tribes involved in the process. The delay in completing this plan has impacted the ability to move forward with construction activities on approximately 28 sites which are being addressed by this plan.

**g. Project permitting**

The USFS issued its Special Use Permit (“SUP”) to SDG&E on December 3, 2010. SDG&E has been working with the USFS on final plans to complete the SUP Exhibits and expects a Notice to Proceed with construction activities on USFS lands in the third quarter of 2011.

Significant efforts are continuing to obtain all other permits and approvals from jurisdictional agencies. The remaining outstanding permits and approvals are focused on the

Historic Properties Treatment Plan, agreement on mitigation land management entities, and approvals to start construction on US Forest Service and Department of Defense lands.

Respectfully submitted,

/s/ E. GREGORY BARNES

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July 15, 2011

# Appendix A

**Sunrise Powerlink Project  
Schedule Summary**

Activity	2007				2008				2009				2010				2011				2012															
	Q1	Q2	Q3	Q4																																
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Land Acquisition																																				
Permits																																				
Mitigation																																				
Procurement/Equipment Deliveries																																				
Link 1 (Imperial Valley)																																				
Link 2 (San Diego County)																																				
Link 3 -Suncrest Substation																																				
Link 4 - 230kV UG Transmission																																				
Link 5 - 230kV OH Transmission																																				
69kV Reconductoring																																				
Substation Modifications																																				

- Land Acquisition
- Permits & Mitigation
- Procurement
- Engineering
- Construction
- Testing