

**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)

**TWELFTH QUARTERLY PROJECT STATUS REPORT
OF SAN DIEGO GAS & ELECTRIC COMPANY
Q4 2011**

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Pursuant to D.08-12-058¹, San Diego Gas & Electric Company (“SDG&E”) hereby files² and serves the following quarterly project status report on the progress of the Sunrise Powerlink Transmission Project (“Sunrise”) in accordance with ordering paragraph #13.³

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

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

¹ Referred to herein as the “Decision.”

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

³ 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 15th 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.

⁴ Decision at 276-277.

Significant construction progress was made during the fourth quarter with two major milestones achieved. All work in the Golden Eagle nesting areas and in the Big Horn Sheep habitat in Mountain Spring Grade areas was completed in the limited construction periods permitted by the mitigation measures. Construction of the overhead portion of the project is approximately 55% complete, the Suncrest substation is approximately 80% complete and the underground portion is approximately 90% complete.

The United States Forest Service (“USFS”) issued a notice to proceed with construction of the portion of Sunrise on USFS land in August 2011. This follows the beginning of construction on the underground portion and Suncrest substation in the fourth quarter of 2010, the beginning of overhead construction on non-BLM⁵ land in the first quarter of 2011 and the beginning of overhead construction on BLM land in the second quarter of 2011.

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 is the middle of 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

⁵ “BLM” is the Bureau of Land Management, U.S. Department of Interior.

on the remaining overhead sections, that is, Marine Corps Air Station (“MCAS”) Miramar and USFS jurisdictional areas, was issued 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. Construction of the underground portion of the project is approximately 90% complete.

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 fourth quarter 2011 (12/31/11) is \$1.477 billion.

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

On August 15, 2011, SDG&E submitted to FERC in Docket No. ER11-4318-000 its Annual Transmission Owner Formula 3 Rate Change Filing. In part, this submission seeks recovery in the Forecast Period based on a forecast June 2012 in-service date for Sunrise of approximately \$518 million of weighted capitalized costs. On October 14, 2011, the FERC issued an order requiring SDG&E to make a Compliance Filing by November 14, 2011, reflecting mandated changes in accounting for Wildfire Property Costs, and establishing hearing and settlement judge procedures. 137 FERC ¶ 61,041. SDG&E timely submitted the Compliance Filing pursuant to the order. Settlement discussions were held culminating in a comprehensive Settlement Agreement filed on November 17, 2011 and certified by the

administrative law judge to the FERC on December 8, 2011. Both the Compliance Filing and the Settlement Agreement are pending FERC approval.

Also, on December 21, 2011, SDG&E filed its annual update for two balancing accounts that, pursuant to SDG&E's Transmission Owner FERC Tariff, are to be updated each January 1. Part of the forecast period for one of the balancing accounts, the Transmission Access Charge Balancing Account Adjustment, includes Sunrise costs assuming a June 2012 in-service date. FERC accepted this filing and assigned Docket No. ER12-660-000. To date, FERC has not set any further procedures in response to this filing.

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 2006.⁶ Under the

⁶ 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); *(footnote continued onto next page...)*

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 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).

(... footnote continued from previous page) 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).

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, equipment and material such as lattice towers, underground cable, transformers for the new substation, conductor, insulators, fiber optic cable, miscellaneous hardware, and steel poles have been ordered, delivered and, in some cases, installed. The construction contractors, PAR Electrical Contractors for the overhead and underground sections and Beta Engineering for the Suncrest substation, are well into 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 and Federal Agencies for all construction activities including SDG&E’s main construction yards, in existing substations, the

underground section, all overhead sections (including USFS and BLM lands and MCAS Miramar), 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

As of December 2011, SDG&E has approximately 3,201 GWh under contracts that will be facilitated by Sunrise. If all of these projects come online as expected, SDG&E will have fulfilled its Sunrise renewables commitment. In order to account for potential project failure and to secure its Sunrise commitment, SDG&E continues to prioritize procurement from Imperial Valley region.

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 order to secure its contractual Sunrise commitment, SDG&E selected two Imperial Valley projects on a contingent basis.

e. Community outreach

During the Fourth Quarter 2011, a second, detailed construction update newsletter was developed and mailed to everyone within 1,000-feet of the Sunrise Powerlink right-of-way. It

was also placed at various public locations along the route and provided to local community planning groups and stakeholders.

A dedicated Sunrise Claims Advisor has been working on all Sunrise construction-related claims. This has alleviated some community confusion regarding SDG&E's claims process and has streamlined the review and response times considerably. The Claims Advisor continues to work out of the East County Community Relations Office on Tuesdays and Thursdays and remains available to schedule appointments at other times, as requested.

SDG&E continues to provide informative presentations, construction updates and project briefings to elected officials, key stakeholders and residents.

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 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 Commission, BLM, USFS, U.S. Fish & Wildlife Service, and CA Dept. of Fish & Game. The majority of properties

have now been acquired and the remaining properties are in final negotiations for acquisition which is expected to be completed in the first quarter of 2012. Establishment of the agreements for funding and managing the mitigation lands in perpetuity as required by the mitigation measures were established 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 reviewed by the appropriate agencies and was issued as final in the third quarter of 2011.

g. Project permitting

All required permits and approvals from all appropriate regulatory and jurisdictional agencies, except some minor ministerial permits (e.g. traffic control permits in certain locations), have been obtained for this project.

Respectfully submitted,

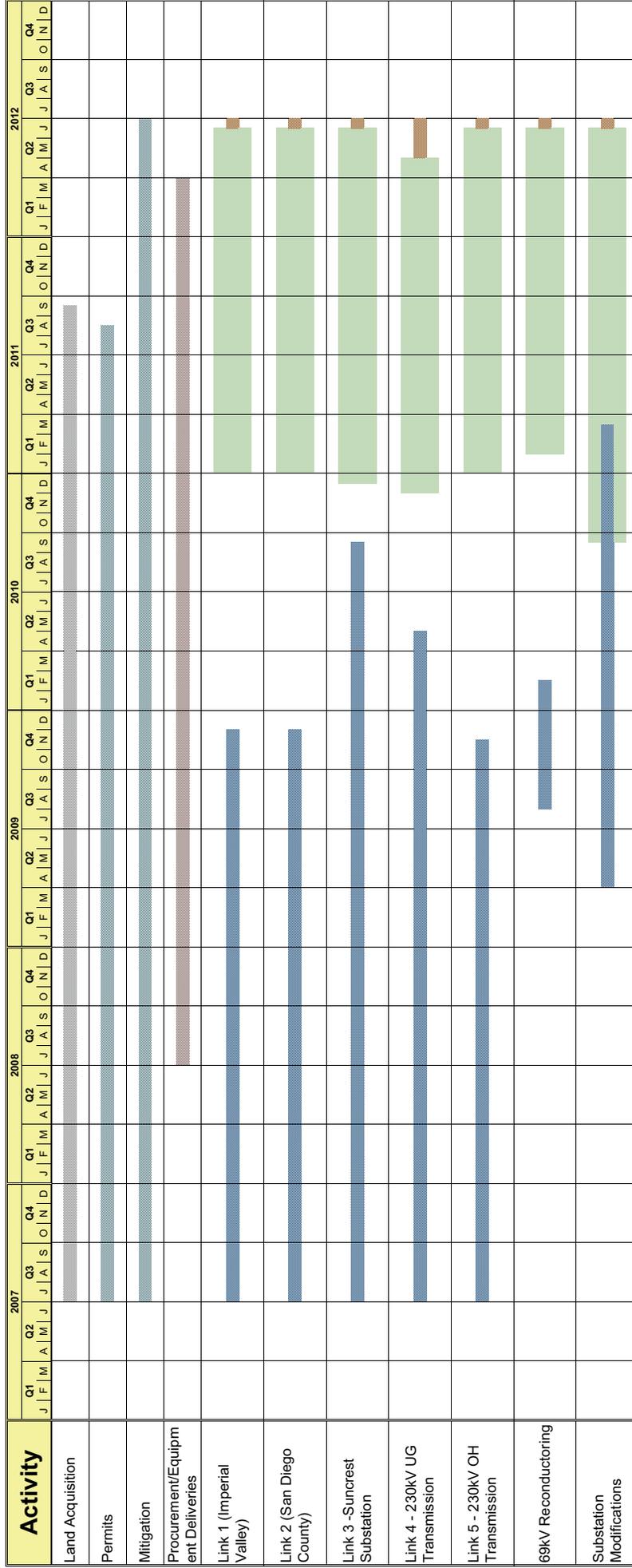
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Appendix A

**Sunrise Powerlink Project
Schedule Summary**



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