

**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)

**FOURTEENTH QUARTERLY PROJECT STATUS REPORT
OF SAN DIEGO GAS & ELECTRIC COMPANY
Q2 2012**

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July 16, 2012

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Pursuant to D.08-12-058,¹ 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.

Construction on the Sunrise Powerlink transmission line itself was completed and the line was energized, placed into service and turned over to CAISO⁵ operational control on June 17, 2012, pursuant to the terms of the CAISO and SDG&E FERC tariffs. Naturally, even though the Sunrise Powerlink is energized, there is significant construction-related work ongoing and yet to be completed. This work includes, but is not limited to: Substation upgrade work at the Encina and San Luis Rey Substations; 69 kV reconductoring; 12 kV relocations (due to the status of the San Onofre Nuclear Generating Station, SDG&E has had difficulty scheduling the necessary outages on its transmission system to complete this work); closure and restoration of assembly and fly yards, including clean up and removal of temporary facilities, material and equipment; final road grading; retaining walls; demobilization of temporary contractor trailers; contractor, supplier and consultant contract closeouts; vegetation restoration and hydro-mulching; environmental monitoring for all ongoing work; assembly and inventory of all spare tower, wire, cable and associated equipment; completion of contractor punch list items and negotiation of contractor claims associated with the safe acceleration of work requested by the CAISO. It is anticipated that closeout of construction related activities will continue through the first quarter of 2013. The final completion date of course depends on outage schedules granted by the CAISO, weather conditions (such as “Ev” or “E” Project Activity Level (PAL) days and Red Flag Days) and avian-related or other environmental related access constraints.

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

SDG&E’s current project development and final completion schedule is attached to this report as Appendix A. The Sunrise Powerlink was placed into service and turned over to CAISO operational control on June 17, 2012. As described above, there is additional work required to

⁵ California Independent System Operator Corporation

complete the project and this work is expected to continue into the first quarter of 2013. The attached schedule is updated to add the remaining post-energization construction activities.

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

There have been no changes to the project scope; see the prior section for schedule information.

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

The 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 has been installed but other associated substation upgrade work is still underway. The Encina Substation upgrade is scheduled to be in-service on or before March 2013. As previously stated, the in-service date depends upon the outage schedule provided to SDG&E by the CAISO.

The undergrounding in Alpine Boulevard from Peutz Valley to the entrance to the Star Valley Option is approximately 5.85 miles in length. 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 \$210M for the Peutz Valley to the revised Star Valley Option. These costs do not include AFUDC, support costs or mitigation costs. Construction and energization of the underground portion of the project is complete.

4. Any engineering difficulties encountered in constructing the project;

The terrain for much of the alignment was challenging. The inability to design access roads in certain areas due to environmental concerns increased the need to access towers via helicopter. At the time the Commission issued the Certificate of Public Convenience and Necessity for the project, it was estimated that 20% of the towers would need to be installed

using helicopters. The final number was over 75%. In addition, there were numerous construction challenges arising from evolving environmental mitigation constraints and the San Onofre outage.

5. Total estimated project costs;

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

6. Actual spending to date;

The actual project spending through the end of the second quarter 2012 (6/30/12) is \$1.764 billion.

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

On August 15, 2011, SDG&E submitted to the Federal Energy Regulatory Commission (“FERC”) in Docket No. ER11-4318-000 its annual Transmission Owner Formula 3 (“TO3”) rate change filing.⁶ 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. The FERC approved the Settlement Agreement on February 1, 2012. 138 FERC ¶ 61,081. The

⁶ Pursuant to a settlement approved in *San Diego Gas & Electric Co.*, 119 FERC ¶61,169 (May 18, 2007), SDG&E’s TO Tariff formula rate is updated annually effective September 1st. This settlement approved what is referred to as SDG&E’s “TO3” rate, reflecting the fact that this is the third filing to revise SDG&E’s rate methodology under its Transmission Owner (“TO”) open access tariff.

FERC requested, and SDG&E provided, further information on the Compliance Filing; however, the FERC has not yet acted on the Compliance Filing.

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 ("TACBAA), includes Sunrise costs assuming a June 2012 in-service date. FERC assigned this filing Docket No. ER12-660-000, and on February 16, 2012, accepted the filing by delegation letter order effective January 1, 2012 as requested.

Pursuant to the TO3 settlement described above, SDG&E's annual September 1st TO Tariff formula rate update must be preceded by a Draft informational Filing containing certain recorded and estimated costs expected to be reflected rates to be in effect for the period beginning September 1 of that year through August 31 of the subsequent year. SDG&E posted its TO3 Cycle 6⁷ Draft Informational Filing for this year June 15, with a proposed effective date of September 1, 2012.⁸ The posted draft included an estimated Sunrise project cost of \$1.735 billion to be reflected in rates paid by SDG&E retail customers effective September 1, 2012.

⁷ The term "Cycle" refers to an annual filing made under the applicable formula rate. Cycle 6 is the sixth annual filing under the TO3 formula.

⁸ Under the TO3 settlement, on or before June 15 of each year, SDG&E is required to provide the CPUC with, and make available to other interested parties by posting on OASIS at www.sdge.com/toforum, a Draft Informational Filing for review, comment and discussion prior to filing the final Informational Filing on August 15. As required, SDG&E posted the Draft on June 15, 2012, and SDG&E also served it on the service list in FERC Docket No. ER08-1407-000.

On June 29, 2012, SDG&E filed with FERC an application (Docket No. ER12-2172) for an out-of-cycle revision of the TACBAA rate under the TO Tariff.⁹ The revision sought included Sunrise costs for the forecast period based upon the Draft Informational Filing referenced in the preceding paragraph. The revision sought would prevent a spike in retail transmission rates effective September 1 through December 31, 2012. On July 12, 2012, the Commission filed a notice of intervention at the FERC supporting SDG&E's out-of-cycle TACBAA 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

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 2006.¹⁰ 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)

⁹ Normally, SDG&E would file its annual TACBAA adjustment late December 2012 for rates effective January 1, 2013. TO Tariff Section 5.6 provides for an annual TACBAA adjustment effective January 1st, but it also expressly permits out-of-cycle filings.

¹⁰ 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).

seek acceptance by the 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 with the Commission (also signed and verified by Citizens Energy) on October 9, 2009 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). On June 12, 2012, the FERC issued an order conditionally accepting Appendix X to SDG&E's Transmission Tariff, effective June 1, 2012, to calculate an annual charge for the Citizens Lease (139 FERC ¶61,188). The conditional acceptance was subject to a compliance filing which SDG&E made on June 28, 2012.

The Commission approved SDG&E's Section 851 application by a unanimous vote May 26, 2011. 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.

SDG&E filed the required advice letter with the Commission on June 1, 2012, requesting approval of the final lease agreement between SDG&E and Citizens. The Commission approved the advice letter on June 26, 2012, effective that same date. The lease of Sunrise transfer capability to Citizens took effect on July 3, 2012 with the closing of the final lease agreement.

b. Procurement activities

All equipment and material required to energize Sunrise, 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 installed. Other equipment required for the project, but not required to energize Sunrise, has been delivered, but not all of it has been installed. Installation will continue into the first quarter of 2013. 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.

c. Efforts to fulfill Sunrise renewables requirement

As of June 2012, SDG&E has approximately 3252 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 consider Power Purchase Agreements with projects located in the Imperial Valley region.

d. Community outreach

Outreach focus has shifted from weekly construction and status updates to post-construction, energization and restoration information. Community outreach initiatives through

informative presentations, Sunrise updates and project briefings to community planning groups, elected officials, key stakeholders and residents are ongoing.

The East County Public Affairs office, located at 2806 Alpine Boulevard will close Tuesday, July 31, 2012. However, public affairs representatives will remain available to address any question or concern and the Sunrise hotline will remain staffed for the next several months.

e. 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. All required construction plans have been completed and approved in accordance with the mitigation and conservation measures and appropriate permit conditions. Efforts for the subject quarter and following quarters into 2013 will be focused on project requirements for maintaining compliance during construction, energization and restoration activities for the transmission line and uncompleted items on the balance of the project that were not required for energization. Additionally, plans are being finalized and implemented for meeting all post-construction environmental requirements for the project.

f. Project permitting

All required permits and approvals from all appropriate regulatory and jurisdictional agencies have been obtained for this project.

g. Project Safety

Sunrise has maintained an impressive safety record throughout the project especially given the scale of the construction project. The project has expended approximately 5 million worker-hours and the project’s construction safety record was outstanding with a 1.80 recordable

injury rate, which is less than half of the power industry's national average of 3.8 for similar construction projects, as determined by the US Department of Labor, Bureau of Labor & Statistics. In addition, Sunrise utilized over 50 project helicopters flying more than 145,000 take-offs and landings without a single OSHA recordable injury.

Respectfully submitted,

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Appendix A

