

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

In the Matter of the Application of The Nevada
Hydro Company for a Certificate of Public
Convenience and Necessity for the Talega-
Escondido/Valley-Serrano 500 kV Interconnect.

Application 09-02-012
(Filed February 20, 2009)
Application 07-10-005
(Filed October 9, 2007)

**CALIFORNA UNIONS FOR RELIABLE ENERGY'S REPLY TO THE
AMENDED APPLICATION AND SUPPLEMENTAL PROPONENT'S
ENVIRONMENTAL ASSESSMENT SUBMITTED BY THE NEVADA HYDRO
CORPORATION**

February 26, 2009

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Pursuant to the ruling of Administrative Law Judge Kolakowski on December 30, 2008, the California Unions for Reliable Energy ("CURE") respectfully submits this response to The Nevada Hydro Company's ("TNHC") Amended Application and Supplemental Proponent's Environmental Assessment ("PEA") for its proposed Talega-Escondido/Valley-Serrano Interconnect Project ("TE/VS").

I. INTRODUCTION

CURE submits this reply to TNHC's amended application because information contained in TNHC's pleading accompanying the Supplemental Application is incorrect and omits key information about the TE/VS project. In its response to the ALJ order, TNHC dramatically overstates the value of permitting TE/VS by justifying TE/VS on the basis of unapproved facilities and incorrect

assumptions about access to renewable energy. In light of this and the persistent inadequacy of TNHC's submissions to this Commission, the Commission should dismiss TNHC's TE/VS application without prejudice.

Due to the size and complexity of TNHC's PEA filed on February 17, 2009, these comments do not attempt to provide a response to the substantive environmental analysis in the PEA, but rather comment on the policy justifications and factual submissions in TNHC's response to the ALJ order of December 30, 2008.

II. DISCUSSION

A. TE/VS is Not a Project of Statewide or National Importance

Transmission lines should be built to meet critical needs within the state. TNHC claims that the TE/VS Interconnect "is a project of critical Statewide and National importance" and "[d]elays in initiating formal proceedings will detrimentally impact the State of California and the State's electrical ratepayers."¹ However, these claims do not comport with the statewide transmission planning effort underway by the CAISO. CAISO's 2009 Transmission Draft Plan does not even consider the TE/VS project in its long-term assessment of California electrical grid planning needs and opportunities through 2018.² CAISO is responsible for operating the majority of California's high-voltage wholesale power grid. Had

¹ TNHC Response to ALJ Order, p. 19, February 16, 2009.

² A search of the "2009 CAISO Transmission Plan Draft" at <http://www.caiso.com/2354/2354f34634870.pdf> shows no use of the terms "LEAPS," "TEVS," "TE/VS," or "TE-VS."

TE/VS been considered a critical transmission line by CAISO, it would have been included in CAISO's transmission planning projections through 2018.

The Commission itself concluded that TE/VS minimally increases reliability and minimally reduces energy costs and should be considered only a "potential, future, additional regional project" rather than a critical statewide project that promotes renewable energy development.³

Further, the California legislature and the entities involved in implementing AB 32 have made it clear that the lion's share of California's future energy supply will draw from renewable energy generation. Although TNHC alleges that TE/VS will "provide SDG&E with a direct path to access renewable resources to its north," the Commission dismissed this claim in the Sunrise Powerlink proceeding. The Commission concluded that "because the LEAPS Transmission-Only Alternative does not terminate in a transmission constrained area with undeveloped renewable resource potential, it does not facilitate the development of renewable energy."⁴

Finally TNHC claims that TE/VS will provide a connection for LEAPS into the grid, thus assisting the state in meeting its renewable goals. However, the LEAPS project has been stalled at FERC and there is no current indication that it is moving forward. If LEAPS is licensed by FERC, then, arguably, TNHC should submit its application for a CPCN for the TE/VS project in this forum. As it is currently designed, TE/VS fails to connect any existing renewable energy project to the grid. Until the time when this project can be connected to a licensed renewable

³ Decision Granting a CPCN for the Sunrise Powerlink, 08-12-058, p. 246, December 24, 2008. The decision explicitly noted that the findings do not pre-judge issues in the CPCN proceeding for TE/VS.

⁴ *Id.*, at p. 247.

energy project, there is no compelling reason for the Commission to consider this application.

B. TNHC’s Amended Application and Supplemental PEA Omits Key Aspects of the TE/VS Project in Violation of CEQA

1. The PEA Fails to Adequately Analyze Impacts to the SDG&E System

The TE/VS application fails to assess the magnitude of the impacts to the San Diego Gas and Electric system (“SDG&E”) and the Southern California Edison system (“SCE”) in its Amended Application. Although the PEA does include a short description of “System Upgrades,”⁵ the PEA minimizes these impacts by arguing that only limited additional disturbance is anticipated as a result of project-related improvements. The PEA failed to include a detailed discussion of the magnitude of the impacts associated with these system upgrades.

The California Environmental Quality Act (“CEQA”) defines a project as an activity which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.⁶ The Courts have held that CEQA requires an analysis of the environmental impacts of another action if the other action is a reasonably foreseeable consequence of the initial project and the action will be significant in that it will likely change the scope or nature of the initial project or its environmental effects.⁷

⁵ See Page 3-170 in the July 2008 PEA (as revised in November 2008 and February 2009).

⁶ Cal. Pub. Res. Code § 21065.

⁷ *Laurel Heights Improvement Assoc. v. Regents of the Univ. of Cal.* (1988) 47 Cal. 3d 376, 396.

Significant economic impacts related to system upgrades needed for TE/VS to operate were identified in the Decision Granting a CPCN for the Sunrise Powerlink Transmission Project.⁸ The need for these upgrades is based upon one of the stated purposes of TE/VS: to provide additional import capacity for SDG&E. The revised PEA submitted by TNHC in February 2009 alleges that TE/VS will provide at least 1,000 MW of increased import capacity under N-1/G-1 contingency conditions into the SDG&E service area. SDG&E estimates that the cost to integrate TE/VS into its system would be \$1.8 billion for 1,000 MW of increased import capacity.⁹ The expenditure of \$1.8 billion for new transmission facilities would necessarily have significant environmental impacts, yet these impacts were not discussed in the PEA.¹⁰ This \$1.8 billion expenditure on new transmission system improvements to SDG&E will clearly have environmental impacts, yet these impacts were not discussed in the PEA. The PEA is deficient because it fails to identify and analyze the environmental impacts resulting from this enormous endeavor.¹¹

⁸ Decision Granting a CPCN for the Sunrise Powerlink, D.08-12-058, p. 243, December 24, 2008.

⁹ *Id.* at 243. The Commission further noted that TNHC disputes SDG&E's TE/VS cost estimates without providing alternative calculations. "Nevada Hydro circulated and then withdrew its own prepared testimony on the cost estimates for the TE/VS." *Id.* at 97.

¹⁰ The \$1.8 billion cost for additional SDG&E facilities does not include the cost to build TE/VS itself, which SDG&E estimates to be nearly \$1 billion.

¹¹ TNHC might argue that the \$1.8 billion cost identified by SDG&E is associated with building TE/VS in the absence of the recently approved Sunrise project. However, the PEA's claim that TE/VS would increase SDG&E's import capability under N-1, G-1 conditions by 1000 Mw is also based on analyses in which there is no Sunrise project. The PEA has no analysis of whether TE/VS would provide any reliability benefits at all to SDG&E if built in addition to Sunrise. Nor does it have any analysis of whether increased SDG&E import capability, even if provided by TE/VS, would have any value if Sunrise is also built. The Sunrise CPCN indicates that without new transmission SDG&E will have a capacity shortfall of 456 Mw by 2020 (*Id.*, p. 100), but with 1000 Mw of increased import capacity from Sunrise, that shortfall becomes a surplus of 544 Mw (-456 + 1000 = +544 Mw). Thus, there would be no need for any additional import capability attributable to TE/VS until well into the 2020s.

The PEA also fails to provide any analysis of whether capacity is even needed in the SDG&E system. The approval of the Sunrise Powerlink project substantially changes the calculations regarding reliability needs in the SDG&E system. Since the Sunrise Powerlink has been granted a CPCN, if and when it is completed, the SDG&E system will operate with a substantial surplus of capacity through the year 2020.¹² The PEA fails to provide an adequate analysis of the need for TE/VS-supplied import capacity into SDG&E, and of the SDG&E system impacts that would flow from the TE/VS project with and without the Sunrise Powerlink in place.

Upgrades to the SDG&E system will likely be needed as a direct result of the construction of the TE/VS Project, and these impacts must be accurately characterized, analyzed and environmental impacts must be mitigated to a level that is less than significant. The impacts will vary depending on whether TE/VS would be operated before or after the upgrades that are made as a result of the Sunrise Powerlink project. These scenarios must be studied and the environmental impacts evaluated in a PEA. Without an adequate discussion or analysis of these impacts, the TE/VS PEA again fails to meet the requirements of CEQA.

2. TNHC Fails to Provide Complete Information About Case Springs Substation

TNHC's filing on February 16, 2009 acknowledges that discussions are ongoing regarding the Case Springs Substation site at Camp Pendleton. This matter must be settled before a PEA is complete because the location of the Case Springs Substation is essential to an analysis of environmental impacts under

¹² *Id.* at 100.

CEQA. Camp Pendleton has suffered wildfires, one recent fire taking place on October 8, 2008.¹³ The base has also experienced fires in the past as a result of electric lines. The base is also home to sensitive habitat and a thorough environmental analysis must be included in the PEA. It is not appropriate for TNHC to submit a PEA without including that essential information.

3. The PEA Must Analyze Impacts From the 115kV Transmission Lines Out of the Santa Rosa Substation

TNHC asserts that the introduction of two 115 kV transmission lines out of the Santa Rosa Substation would result in *de minimus* impacts that “are not further addressed in the PEA.” However, the PEA characterizes these lines as “new 115 kV OHLs on steel or wooden poles.”¹⁴ If these lines were simply new lines on existing poles, then it would be arguable whether the impacts would require further study per Commission Order 131-D. However, because these lines would be new lines, on new poles, TNHC must analyze and mitigate all environmental impacts from this action. It is improper for TNHC to argue that the impacts are *de minimus* and to remove them from environmental scrutiny.

¹³ See Camp Pendleton: Fire Chars 1,000 Acres, North County Times, October 8, 2008. <http://www.nctimes.com/articles/2008/10/08/news/sandiego/z34fd7825a4dceca5882574dc00802d0f.txt>

¹⁴ TE/VS PEA Revised February 2009, p. 3-172.

III. CONCLUSION

The most current submission by TNHC again fails to provide adequate information to comply with the information and public participation requirements of CEQA. The TNHC supplemental application also fails to provide a compelling justification for the Commission to move forward with evaluating the impacts of the TE/VS project. The Commission should dismiss the TE/VS application without prejudice.

Dated: February 26, 2009

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing

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to be served upon the following parties on the attached service lists by email, mail or messenger pursuant to the Commission's Rules of Practice and Procedure.

Dated at South San Francisco, California this 26th day of February, 2009

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