

Decision 06-10-048 October 19, 2006

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for a Certificate of Public Convenience and Necessity for the Inland Empire-Valley 500 kV Transmission Line.

Application 06-03-028
(Filed March 30, 2006)

OPINION GRANTING A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

1. Summary

Pursuant to Sections 1001, *et seq.* of the California Public Utilities Code, the California Public Utilities Commission's (Commission or CPUC) General Order 131-D (GO 131-D), and the Commission's Rules of Practice and Procedure (Rules), this decision grants the request of Southern California Edison Company (SCE) for a certificate of public convenience and necessity (CPCN) for the construction of a new single-circuit 500 kilovolt (kV) transmission line in Riverside County. This 0.85-mile transmission line will connect a new 810 megawatt (MW) power plant now being developed by the Inland Empire Energy Center, LLC (IEEC) to the electric grid at SCE's existing Valley Substation. This proceeding is closed.

2. Background

IEEC received certification from the California State Resources Conservation and Development Commission (CEC) on December 17, 2003 for the

construction of a new 670 megawatt (MW) gas-fired power plant (Power Plant) in Riverside County.¹ IEEC has requested SCE to construct the subject transmission line to connect the Power Plant to SCE's Valley Substation, and thereby the electric grid controlled by the California Independent System Operator (ISO). This type of transmission facility is commonly known as a "Tie-line." Once connected to the ISO-controlled grid, the Power Plant will provide additional sources of electrical power locally and statewide.

The Energy Action Plan (EAP) II, our energy policy statement jointly issued with the CEC in October 2005,² recognized the urgent need for construction of new electrical generation and transmission infrastructure facilities to support California's growing energy demands. The proposed Tie-Line will provide additional electric transmission by enabling the Power Plant to deliver power to the ISO-controlled electric grid. Current plans call for the Power Plant to be fully operational in August 2008. It is necessary for the subject Tie-Line and other interconnection facilities to be in place a year earlier (August 2007) in order to provide power during the construction and testing phases of the Power Plant.

The subject application describes the proposed Tie-Line and related costs. The estimated cost of the Tie-Line is \$11.9 million. SCE ratepayers will not be financially impacted as the entire cost of the Tie-Line, including construction,

¹ See Appendix E to SCE's application, which includes the CEC Presiding Member's Proposed Decision in CEC Docket No. 01-AFC-17 (November 2003) and Commission Adoption Order No. 03-1217-05 (December 17, 2003). On June 22, 2005 the CEC approved an amendment petition to modify the project such that the generation capability increased from 670 MW to approximately 800 MWs.

² Energy Action Plan II: Implementation Roadmap for Energy Policies, October 2005.

operation and maintenance will be paid by IEEC. Regarding environmental review, the CEC, as lead agency pursuant to its authority under California Public Resources Code Sections 25500, *et seq*, to review the siting of generation facilities and the related transmission facilities, such as Tie-Lines, has reviewed and approved the proposed Tie-Line consistent with the requirements of the California Environmental Quality Act (CEQA). The CEC will be responsible for monitoring compliance with the environmental mitigation measures it has imposed as a condition of its approval.

Notice of the subject application appeared in the Commission's April 7, 2006 Daily Calendar. The application is unopposed.

3. Discussion

3.1. Ratepayer Impacts and Cost-Effectiveness of the Tie-Line

Traditionally utilities apply for a CPCN for a project that will be placed into ratebase. In this case, SCE and IEEC have entered into agreements whereby IEEC will pay the total costs associated with the Tie-Line, SCE will own the Tie-Line, and there will be no impact on ratepayers.³ These SCE/IEEC agreements are consistent with FERC policy which requires that the costs of such transmission upgrades be borne by the interconnecting generator. FERC's policy

³ SCE and IEEC entered into two related written agreements for the ownership, construction, operation and maintenance of the Tie-Line: a Tie-Line Facilities Agreement and an Interconnection Facilities Agreement, included in the subject application at Appendices C and D, respectively. The Agreements state that SCE will provide the interconnection service; that SCE will engineer, design, construct, install, own, operate, and maintain the interconnection facilities and the reliability upgrades; and that IEEC will pay for all such service and facilities. The CEC approved the transfer of the ownership of the proposed Tie-Line from IEEC to SCE by order dated November 14, 2005. This CEC order is attached to SCE's application as Appendix F.

functions similarly to an added facilities agreement where the costs associated with the facilities constructed directly for a particular party are borne by that party. Consequently, SCE will record to its corporate ledgers a zero net book value when the project goes into service.

SCE has agreed that no costs associated with the transmission project will be borne by its ratepayers. SCE's shareholders will assume all risk and liability of the transmission project based on its agreement with the project developer and will not pass on, directly or indirectly, any costs, risks, or liability associated with the transmission project to ratepayers. Therefore, we do not consider the cost-effectiveness of the project here.⁷⁷⁷.

3.2. Need for the Tie-Line

In EAP II the Commission recognized the urgent need for additional generation and necessary interconnecting transmission facilities to support growing demand.⁴ The proposed Tie-Line will provide additional electric transmission to the state by enabling the Power Plant to deliver power to the ISO-controlled electric grid. The Power Plant is expected to generate enough electricity to power nearly 600,000 Southern California homes. Additionally, in its order certifying the Power Plant and related facilities, including the Tie-Line, the CEC found that IEEC was in conformity with the forecast of statewide electrical power demands and the integrated assessment of need. The proposed Tie-Line must be constructed to connect the Power Plant to the transmission grid. We therefore find the requested Tie-Line is necessary.

⁴ EAP II at 2.

3.3. Environmental Review

The Power Plant and related facilities, including the Tie-Line, were reviewed and approved by the CEC pursuant to its licensing jurisdiction in Public Resources Code, §§ 25500, *et seq.* to site generation facilities and their related transmission facilities, such as the subject Tie-Line. The CEC conducted an environmental analysis of the Tie-Line as part of its Application for Certification (AFC) process. The CEC reviewed the impacts of the Power Plant and Tie Line with respect to transmission line engineering, safety and nuisance, air quality, public health, hazardous materials management, worker safety, biological resources, cultural resources, paleontology, waste management, land use, noise, socio-economics, soil and water resources, traffic and transportation, and visual resources. Subject to the Conditions of Certification, the CEC found that the Power Plant and Tie Line will have no significant adverse environmental impact.

The CEC specifically found that:

“2. The Conditions of Certification contained in the accompanying text, if implemented by the project owner, ensure that the project will be designed, sited and operated in conformity with the applicable local, regional, state, and federal laws, ordinances, regulations, and standards including applicable public health and safety standards, and air and water quality standards.”

“3. Implementation of the Conditions of Certification contained in the accompanying text will ensure protection of environmental quality and assure reasonably safe and reliable operation of the facility. The Conditions of Certification also assure that the project will not result in, nor contribute substantially to, any significant direct, indirect, or cumulative adverse environmental impacts.”⁵

The CEC initially certified the power plant and related transmission line in its order dated December 17, 2003. IEEC later filed a Petition for Modification of the CEC decision relating to project ownership (SCE will own the transmission line, as discussed earlier). The CEC approved the petition by order dated November 14, 2005.

The CPUC was a Responsible Agency in the preparation of the CEC’s environmental analysis. However, as part of our review for this application, we have re-reviewed and considered the CEC’s environmental analysis and decisions and find that the CEC reasonably concluded that the proposed Tie-Line, as conditioned, would not result in any significant environmental impacts.

3.4. Compliance With EMF Policy

GO 131-D, Section X, requires an application for a CPCN to describe measures taken to reduce potential exposure to electric and magnetic fields (EMF) generated by the proposed facilities. SCE’s EMF Field Management Plan for the Tie-Line is included in its application as Appendix J. Based upon our review of Appendix J, we find that SCE’s Management Plan complies with the low-cost, no-cost EMF policy adopted by this Commission.

⁵ See CEC Adoption Order, Docket No. 01-AFC-17, at page 2 of 4, Finding Nos. 2 and 3, provided in SCE’s application as an attachment to the end of Appendix E.

4. Categorization and Need for Hearing

In ALJ Resolution 176-3170, dated April 13, 2006, we preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were not needed. Based on the record, we affirm this is a ratesetting proceeding and that hearings are not needed.

5. Assignment of Proceeding

Dian M. Grueneich is the Assigned Commissioner and Kenneth Koss is the assigned Administrative Law Judge in this proceeding.

6. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

Findings of Fact

1. This proceeding does not require a hearing.
2. SCE is in conformity GO 131-D regarding its subject CPCN application.
3. Construction of the proposed Tie-Line is in the public interest.
4. Construction, operation and maintenance of the proposed Tie-Line will have no impact on SCE ratepayers.
5. The CEC conducted an environmental review of proposed Power Plant and Tie-Line as part of its Application for Certification process in Docket No. 01-AFC-17.
6. The CEC approved the proposed Power Plant and Tie-Line on December 17, 2003, with Conditions of Certification; and approved a

modification granting SCE ownership of the Tie-Line by order dated November 14, 2005.

7. The CEC reasonably concluded that the proposed Tie-Line, as conditioned, would not result in any significant environmental impacts. SCE and IEEC have entered into agreements whereby IEEC will pay the total costs associated with the Tie-Line with no impact on ratepayers.

8. Pursuant to those agreements, the total costs associated with the Tie-Line consist of all construction, operation, maintenance, and administrative charges associated with the project, including engineering and design costs of the project.

9. SCE's shareholders will assume all risk and liability of the Tie-Line and will not pass on, directly or indirectly, any costs, risks, or liability to ratepayers.

10. Based upon our review of Appendix J, we find that SCE's Management Plan complies with the low-cost, no-cost EMF policy adopted by this Commission.

Conclusions of Law

1. The proposed Tie-Line to connect the IEEC Power Plant to SCE's existing Valley Substation is necessary in order to allow the Power Plant's output access to the ISO's electrical grid.

2. The CEC reasonably concluded that no significant environmental impacts will result from construction, operation, or maintenance of the Tie-Line, as conditioned.

3. We need not consider the cost-effectiveness of the proposed Tie-Line because SCE's ratepayers will not bear any of the costs.

4. SCE's ratepayers should be insulated from the total costs associated with the Tie-Line, including future risk and liability.

5. The agreements between SCE and IEEC included in the subject application are in the public interest because they facilitate interconnection of additional generation to the ISO electric grid.

O R D E R

IT IS ORDERED that:

1. This order is a final determination that a hearing is not needed in this proceeding.
2. A certificate of public convenience and necessity is granted to Southern California Edison Company (SCE) to construct, operate, and maintain a single-circuit 500 kilovolt transmission line from the Inland Empire Energy Center, LLC (IEEC) to SCE's existing Valley Substation in the manner described in this application, subject to the following conditions:
 - a. SCE shall not recover any costs associated with the transmission project from ratepayers. SCE shareholders shall assume all risk and liability of the transmission project based on SCE's agreement with IEEC, and SCE may not pass on to ratepayers, directly or indirectly, any costs, risks, or liability associated with the transmission line project.
 - b. SCE shall comply with all applicable Conditions of Certification and Compliance Verifications concerning the transmission project specified in the December 17, 2003 Adoption Order by the California Energy Resources Conservation and Development Commission (CEC) in Docket No. 01-AFC-17 and as subsequently modified by the CEC in its order dated November 14, 2005.

3. Application 06-03-028 is closed.

This order is effective today.

Dated October 19, 2006, at Fresno, California.

MICHAEL R. PEEVEY

President

GEOFFREY F. BROWN

JOHN A. BOHN

RACHELLE B. CHONG

Commissioners

Commissioner Dian M. Grueneich, being necessarily absent,
did not participate.