

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U 902 E) for a Certificate of Public Convenience and Necessity for the Otay Mesa Power Purchase Agreement Transmission Project.

Application 04-03-008
(Filed March 8, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING
DENYING OFFICE OF RATEPAYER ADVOCATES' MOTION
FOR A STAY OF DECISION 05-06-061**

Summary

This ruling denies the motion of the Office of Ratepayer Advocates (ORA) for an order to stay Decision (D.) 05-06-061, and San Diego Gas & Electric Company (SDG&E) is authorized to go forward with the Otay Mesa Power Purchase Agreement Transmission Project (OMPPA) pursuant to the terms and conditions of the certificate of public convenience and necessity (CPCN) granted by the Commission in D.05-06-062.

Background

On July 5, 2005, the Commission mailed D.05-06-061, granting SDG&E a CPCN for the OMPPA project. The CPCN is for the construction of two new 230 kilovolt (kV) electric transmission circuits to connect SDG&E's Miguel Substation with both the Sycamore Canyon Substation and the Old Town Substation in San Diego County. The combined route length for both circuits is approximately 52 miles with 42 miles overhead and 10 miles underground.

In D.04-06-011, the Commission approved, with modifications, SDG&E's motion for Commission authorization to enter into new electric resource contracts with Converge, Envirepel, Ramco, Palomar and Otay Mesa Generating Plant (OMGP). SDG&E's motion stated that the contracts were the result of a request for proposal (RFP) issued by SDG&E to solicit bids to procure energy to meet its short-term and long-term grid reliability needs.

OMGP is a natural gas-fired combined-cycle 585 megawatt (MW) power plant under construction by Calpine, in SDG&E's service area, in a location approximately 15 miles southeast of downtown San Diego. Once OMGP is completed, SDG&E will take power from the facility pursuant to the terms of a ten-year power purchase agreement (PPA). OMGP will connect with SDG&E's electric system at Miguel Substation by way of the interconnection facilities that will be constructed and paid for by Calpine at an estimated cost of \$16 million. These referenced interconnection facilities are separate and distinct from the two 230 kV transmission lines approved in D.05-06-061 and referred to as the OMPPA project.

On July 5, 2005, the Commission mailed D.05-06-062 granting limited rehearing of D.04-06-011 because the Commission determined that it should not have considered the OMGP PPA a "winning bidder" of SDG&E's RFP, but instead a bilateral contract to meet needs of the utility outside the scope of the RFP. Rehearing was granted for the sole purpose of determining whether the OMGP PPA provides ratepayer benefits and is reasonable pursuant to Public Utilities Code Section 454.5(c)(3).

On August 4, 2005, ORA filed a motion for an order staying the Commission's authorization of OMPPA in D.05-06-061. ORA filed the motion due to the Commission's order in D.05-06-062 granting rehearing of D.04-06-011

on the grounds that it would not be reasonable to allow construction of the two 230 kV transmission lines if, as a result of the rehearing, OMGP is not constructed. ORA seeks to ensure that ratepayer funds are not wasted on a transmission project that SDG&E may not ultimately need.

On August 19, 2005, SDG&E filed a response urging the Commission to deny ORA's motion.

Discussion

ORA is concerned that if construction of OMPPA goes forward, but OMGP does not get built, that perhaps SDG&E has an expensive transmission project that it does not need. However, while D.05-06-062 did tout the benefits that OMPPA could provide for OMGP, the decision was not based on those advantages alone. Specifically, at p. 63, and in Findings of Fact 6, p. 71 of D.05-06-061, the Commission stated:

The OMPPA Project is needed to provide full dispatchability of resources from the proposed OMGP that could be delivered into the San Diego LRA [local reliability area]; provide firm transmission delivery of OMGP to load centers; *prevent intra-zonal congestion at the Miguel Substation; meet G-1/N-1 reliability criterion; provide for expansion capability; minimize load shedding and avoid potential cascading outages during Miguel Corridor outage; and provide cost savings in reduced RMR costs. (Emphasis added.)*

As can be seen from the litany of advantages the new two 230 kV lines could provide, there were many justifications for the project in addition to the benefits the lines could provide for OMGP. In point of fact, the Commission went to great lengths in both D.04-06-011 when it approved OMGP as part of SDG&E's portfolio of new electric resource contracts and in D.05-06-061, where it approved the OMPPA Project, to view the generating plant separate from the transmission lines. In fact, in its RFP motion, SDG&E asked the Commission to

approve the OMPPA project as a condition precedent to its approval of OMGP-- and we deliberately did not do so.¹

Therefore, in order to not jeopardize the other benefits the SDG&E ratepayer will receive from the OMPPA Project, ORA's motion for a stay is denied. Even if the Commission rejects OMGP on rehearing, D.05-06-062 still determined a need for the OMPPA Project independent of the power plant.

IT IS RULED that the Office of Ratepayer Advocates' motion for a stay on the construction of the Otay Mesa Power Purchase Agreement Transmission Project approved in Decision 05-06-061 is denied.

Dated August 22, 2005, at San Francisco, California.

/s/ CAROL A. BROWN

Carol A. Brown
Administrative Law Judge

¹ [W]e are not ruling on the conditions SDG&E attached to our approval of the Otay Mesa PPA. . . . We will address the proposed Transmission System Enhancements [OMPPA] in our consideration of SDG&E's application, A.04-03-008." (D.04-06-011, p. 66 and Findings of Fact 40, p. 78.)

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties for whom an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling Denying Office of Ratepayer Advocates' Motion for a Stay of Decision 05-06-061 on all parties of record in his proceeding or their attorneys of record.

Dated August 22, 2005, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.