

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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 05-12-014
(Filed December 14, 2005)

**RULING OF ASSIGNED COMMISSIONER AND ASSIGNED ADMINISTRATIVE
LAW JUDGE DENYING THE MOTION OF SAN DIEGO GAS & ELECTRIC
COMPANY AND SETTING FURTHER PROCEDURAL STEPS**

Summary

This ruling denies the motion of San Diego Gas & Electric Company (SDG&E) to initiate an evaluation of the need for its proposed Sunrise Powerlink project in this proceeding prior to SDG&E's filing of its Proponent's Environmental Assessment (PEA) and related information required by General Order (GO) 131-D, Rule 17.1 of the Commission's Rules of Practice and Procedure (Rules), and Public Utilities Code Section (§) 1003. Based on recent filings by SDG&E indicating that they will be amending their application in July 2006, we are unable to proceed absent such amendments and the motion is effectively moot.

We remain committed to issuing a timely decision in this proceeding. To that end, we list herein specific actions that we direct be taken to attempt to process the case consistent with the aggressive timeline SDG&E has proposed in its application and to avoid delay in the projected online date for the project, were it to be approved.

Background

SDG&E filed this application for authority to construct a 500 kilovolt (kV) transmission line omitting some of the information required by § 1003, GO 131-D, and Rule 17.1 of our Rules.¹ SDG&E stated its intent to provide the Proponent's Environmental Assessment and other required information after it had determined a precise project path and conducted the necessarily environmental review, which it expects will be ready in July 2006. SDG&E's application included a motion seeking Commission approval to defer filing of the required information, asking the Commission to explore the issue of project need in advance of SDG&E's providing the outstanding project information, and requesting issuance of a Commission decision on need before completion of the Commission's California Environmental Quality Act (CEQA) analysis.

On February 10, 2006, the Assigned Commissioner issued a ruling (Ruling) in this proceeding following a prehearing conference on January 31, 2006. The Ruling sought briefs addressing SDG&E's motion and solicited responses to eight questions, four factual questions for SDG&E and four questions for all parties, including SDG&E, to address.²

The following parties filed responses to the Ruling on February 24, 2006: SDG&E, the Division of Ratepayer Advocates (DRA), the Center for Biological Diversity and the San Diego Chapter of the Sierra Club (CBC/Sierra Club), the City of San Diego (City), Coral Power, Duke Energy North America (Duke), PPM

¹ This ruling does not restate the informational requirements of each of these laws and rules because the parties do not at this time dispute the types of information required, only whether SDG&E must or should provide them prior to the Commission's analysis of project need.

² See Ruling at <http://www.cpuc.ca.gov/PUBLISHED/RULINGS/53531.htm>, pp. 1-2.

Energy, Imperial Irrigation District (IID), and Ramona Alliance Against Sunrise Powerlink (RAASP). Generally, Coral Power and PPM Energy support SDG&E's motion, while the remaining parties oppose it.

On March 22, 2006, SDG&E submitted to the Commission, and to the service list for this proceeding, a letter from a corporate officer dated March 21st, an IID press release dated March 20th, and a press clipping dated March 17th, indicating that they had entered into a memorandum of agreement (MOA) with IID to form a partnership for building a portion of the proposed Sunrise project and were open to whatever regulatory process and procedural schedule the Commission deemed necessary, with SDG&E's focus on meeting their proposed mid-2007 target date for a final Commission decision. These documents are attached to this ruling as Appendix A.

On April 5, 2006, SDG&E submitted to the Commission, and to the service list for this proceeding, a second letter dated April 4th and a copy of the MOA referenced in the March 21st letter. This second letter stated that SDG&E expects to amend its application in July 2006, including updates to the economic analysis of the project included in the application and the completed PEA. In addition, SDG&E states that the California Independent System Operator (ISO) will have completed its review by July, allowing the ISO's analysis and determination to be considered by the Commission after that time. These documents are attached to this ruling as Appendix B.

SDG&E's Response to the Ruling & Responses in Support of SDG&E's Motion

In its response to the Ruling, SDG&E explained that it is proposing that the Commission consider the issue of project need in a Phase 1 of the proceeding and adopt a decision on need by the 3rd quarter of 2006. Under SDG&E's proposal, this decision would be interim for the purposes of considering rehearing and

court challenges but irrevocable and not subject to re-litigation in a Phase 2, absent new factual information, when CEQA review would be conducted. Both Phase 1 and Phase 2 would consider project alternatives, including the no-project alternative, and the Phase 1 record would inform the Phase 2 record. SDG&E believes consideration of project need concurrent with the CEQA review could delay the issuance of a final decision on the project.³

In response to concerns that SDG&E's procedural proposal is unlawful, SDG&E argues that the courts have granted the Commission great deference in statutory interpretation and procedural matters. SDG&E states the Commission has issued a finding of need in advance of its CEQA review in several cases, including the Mission Miguel transmission project, the Otay Mesa Power Purchase Agreement transmission project, and the Devers-Palo Verde 2 transmission project.

PPM Energy and Coral Power, which state their desire to utilize the proposed line to provide access to newly developed projects or to relieve congestion between San Diego's load center and their existing projects, support SDG&E's motion.

Responses in Opposition to SDG&E's Motion

The parties opposing SDG&E's motion, including DRA, the City, CBC/Sierra Club, Duke, IID, and RAASP, emphasize different concerns but share a common view that the Commission does not have discretion to make a finding of need before completing its review of the environmental aspects of the project, and that it cannot conduct a reasonable need assessment without the

³ Brief of SDG&E in Response to Assigned Commissioner's Ruling, pp. 5-6.

project information required by GO 131-D, Rule 17.1, § 1003, and CEQA. Some raise concerns that the issue of need cannot be evaluated until all affected parties receive official notice of the project, which the utility cannot provide until it has determined a specific route. Several observe that although the Commission has considerable flexibility to craft its procedures, it does not have discretion to waive statutory requirements.

Discussion

After review of all filings, we deny SDG&E's motion because it is moot. SDG&E's two recent letters to the Commission and the recently completed MOA with IID demonstrate that the Sunrise Powerlink, as currently proposed in this application, has and will be altered in the future, making initiation of our review at this time unnecessary. In particular, SDG&E has indicated that the evidence it will present with regard to project need will change. It would be imprudent for the Commission to undertake a factual consideration of the application in this proceeding when the applicant has indicated that they expect to significantly alter that filing in four months time.

Consistent with Rule 7(c), parties making written ex-parte communications are required to file formal notices of those communications within three days, in addition to simultaneously serving such communication on the service list. Future letters and electronic communications to decision-makers should be reported consistent with our rules and we herein direct SDG&E to file notices for the letters it has sent to the Commission's decision-makers thus far, consistent with our Rules. In addition, we remind SDG&E that the Commission's processes are formal and that letters to the Commission are not the required form of communication on procedural matters and SDG&E should adhere to these requirements.

Next Steps

For purposes of administrative convenience and to keep the proceeding on track, we will keep this docket open, and permit SDG&E to amend its application with the additional required information, including the PEA. Pursuant to Rules 44.1 and 2.6, parties will have 30 days to protest the amended application, and, pursuant to Rule 44.6, the applicant has 10 days to reply to any protests or responses. The rights of parties that have already protested the application and choose not to protest the amended application will be preserved. We commit the Commission to reviewing the application expeditiously once SDG&E provides the required information. In order to proceed expeditiously, we direct parties to follow the seven steps listed below:

1. SDG&E shall continue its public outreach process in advance of filing its completed CPCN application and shall give the required legal notice to the affected residents and businesses when the PEA is submitted.⁴
2. SDG&E shall contact all potentially affected local, state, and federal agencies to commence all necessary discussions concerning the effect of the Sunrise Powerlink on governmental entities, including officials representing Anza-Borrego Desert State Park, if it has not done so already.
3. On June 20, 2006, SDG&E shall formally file a status report on its expected July 2006 filing of the update and completion of its CPCN application. If SDG&E expects any delay, SDG&E shall provide an explanation of the delay and the new expected filing schedule.

⁴ General Order 131-D, Section XI.A

4. SDG&E shall work with the Commission's Energy Division staff before filing the PEA to assure that the PEA is complete and adequate by the time of filing.
5. DRA shall commence, if it has not already, the state contracting process to ensure that it has in place a consultant, per Public Utilities Code § 631, that will allow DRA to commence a timely review of SDG&E's project proposal once the application is complete.
6. The Commission's Energy Division shall contact the California Independent Systems Operator to coordinate the ISO's review schedule for this project with the schedule set forth herein.
7. We will schedule a second prehearing conference in the San Diego area at 1:00 pm on September 13th, at a place to be determined. This date is dependant upon a timely filing by SDG&E of the update and completion of its CPCN application, and allows 30 days for protests and responses to the amended application and 10 days for applicant responses to any such filings, per our Rules and as discussed previously. At the prehearing conference, we will consider outstanding procedural matters, including the schedule for this proceeding, the need for evidentiary hearings, public participation hearings, and any other matters. Although the Commission recognizes SDG&E's view that there is an urgent need for this project, and intends to process this application without delay, the Commission cannot make any commitments with regard to a schedule in this proceeding until it has received all information relevant to the project from the applicant.

IT IS RULED that

1. The December 14, 2005, motion of San Diego Gas & Electric Company (SDG&E) to Set Procedures and Defer Certain Filing Requirements is denied as moot.
2. The Commission intends to consider project need after SDG&E amends its application to include the Proponent's Environmental Assessment and other information as required by law and the Commission's Rules of Practice and Procedure and General Orders.
3. SDG&E shall make any outstanding formal filings with the Commission with regard to the two written ex-parte communications discussed herein.
4. SDG&E shall continue its public outreach process in advance of filing its completed CPCN application and shall give the required legal notice to the affected residents and businesses when the PEA is submitted.
5. SDG&E shall contact all potentially affected local, state, and federal agencies to commence all necessary discussions concerning the effect of the Sunrise Powerlink on governmental entities, in particular officials representing Anza-Borrego Desert State Park.
6. SDG&E shall formally file a status report on June 20, 2006, on the pending update and completion of its CPCN application with the Commission and serve it on all parties. If SDG&E believes it will be unable to provide the PEA and information required by § 1003, GO 131-D, and Rule 17.1 by July 2006, SDG&E shall include in that status report an explanation of the reasons for its delay and indicate the new expected filing date.

7. SDG&E shall work with the Commission's Energy Division staff before filing its PEA to assure that the PEA is complete and adequate at the time of filing.
8. DRA shall commence, if it has not already, the state contracting process to ensure that it has in place a consultant, per Public Utilities Code § 631, that will allow DRA to commence a timely review of SDG&E's project proposal once the application is complete.
9. The Commission's Energy Division shall contact the California Independent Systems Operator to coordinate the ISO's review schedule for this project with the schedule set forth herein.
10. The Commission hereby schedules a prehearing conference in this proceeding at 1pm on September 13, 2006, at a precise location to be determined and assuming SDG&E will have filed by July 31st its amended application to include all required information.

Dated April 7, 2006, at San Francisco, California.

/s/ DIAN M. GRUENEICH

Dian M. Grueneich
Assigned Commissioner

/s/ KIM MALCOLM

Kim Malcolm
Assigned Administrative Law
Judge

A.05-12-014 DGX/KLM/dhn

TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.

APPENDIX A



Press Releases

For more information, contact the Public Information Department at (760) 482-9600.

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GREEN PATH AND SUNRISE TO LINK: IID Energy, SDG&E, and Citizens Energy Reach Transmission Agreement 2006-3-20

FOR IMMEDIATE RELEASE: March 20, 2006
CONTACT: Rosamaria Gonzales (760) 398-5812

IMPERIAL — IID Energy, San Diego Gas & Electric (SDG&E), and Citizens Energy reached an agreement Thursday, March 16, 2006, regarding the interconnection of the Green Path and Sunrise Projects.

"I'm very pleased with the progress we've made. This agreement is mutually beneficial to all parties involved. Most importantly, it will protect the IID Energy control area status while allowing San Diego Gas & Electric access to the vast renewable resources of the Imperial Valley," said Interim IID Energy Manager John Federowicz.

The agreement, subject to board approval, will ensure the ongoing cooperation between the utilities as they work together to design and construct a transmission system that will export much-needed renewable resources from the Imperial Valley into the San Diego region.

"SDG&E is pleased to have reached an agreement with IID Energy to merge the Green Path and the Sunrise Powerlink to make them a single, joint project to meet the needs of the customers of both utilities and deliver clean renewable resources to our region," said James P. Avery, senior vice president-electric, San Diego Gas

& Electric.

With the goal to meet California's Renewable Portfolio Standard requiring private utilities to deliver 20 percent of their energy in renewable form by 2010, the agreement brings the parties closer to building a 500 kilovolt (kV) transmission line originating in the Imperial Valley substation to a future substation located in San Diego.

"Citizens Energy is very excited about the opportunity to deliver thousands of megawatts of green energy throughout Southern California while providing significant congestion relief for the California ISO. This landmark agreement could not be possible without the cooperation of IID Energy, San Diego Gas & Electric, and the California ISO," stated Joseph P. Kennedy II, chairman and president of Citizens Energy Corporation.

The IID Board of Directors is expected to vote on the agreement during their regularly scheduled April meeting.

About IID Energy:

IID Energy is a consumer-owned electric utility that provides power to over 130,000 customers in the Coachella Valley, Imperial Valley, and a portion of San Diego County. As an independent transmission provider, IID Energy has become the greatest transmitter of geothermal energy in the nation. IID Energy is also one of five control areas in California that includes LADWP, Sacramento Municipal Utility District, Turlock Irrigation District, and the California Independent System Operator.

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SDG&E to join Green Path

By DARREN SIMON, Staff Writer

The Imperial Irrigation District and San Diego Gas & Electric, formerly rivals in a debate over energy control areas, are on the verge of becoming partners in a massive renewable energy program called Green Path.

IID General Manger Charles Hosken announced this morning that IID, SDG&E and Citizens Energy of Boston, an organization run by former Massachusetts Congressman Joseph Kennedy II, have signed a memorandum of understanding to work together on Green Path.

Hosken said the board of directors of both IID and SDG&E must finalize the partnership.

The proposal came following a four-hour negotiation session Thursday, Hosken said.

As part of the agreement, SDG&E would not challenge the IID or Citizens Energy, both of which have plans to build and operate a power line that would connect to San Diego to deliver renewable energy to the coast and other areas of Southern California.

For its part, IID would support SDG&E's effort to place thousands of solar panels in the Imperial Valley desert. SDG&E wants to build as many as 36,000 solar panels in the Imperial Valley to ship energy back to San Diego.

The solar panels would be built by Stirling Energy Systems Inc. of Arizona.

The relationship between IID, Citizens Energy and SDG&E comes after months of concern by IID that SDG&E wanted to build its own power line that would encroach into IID's control area and challenge the Green Path project.

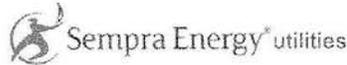
Green Path would ship renewable energy from the Valley to the rest of Southern California. IID would build the backbone of Green Path by upgrading its own power transmission system.

Citizens Energy would operate a line that would deliver energy to San Diego.

Another partner in Green Path, the Los Angeles Department of Water and Power, would connect to IID's transmission system in Riverside County and use its own line to deliver renewable energy to its customers.

>> Staff Writer Darren Simon can be contacted at dsimon@ivpressonline.com or at 337-3445.

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Debra L. Reed
President & COO

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March 21, 2006

Commissioner Dian Grueneich
California Public Utilities Commission
505 Van Ness Avenue, Fifth Floor
San Francisco, CA 94102

Dear Commissioner Grueneich:

As has been recently reported, San Diego Gas and Electric (SDG&E), the Imperial Irrigation District (IID) and Citizens Energy Corporation (Citizens) recently entered into a partnership to bring into service a new 500 kV interconnection between the Imperial Valley substation and the Penasquitos substation in SDG&E's load center, consistent with SDG&E's Sunrise Powerlink application currently pending before the Commission. This partnership is embodied in a signed Memorandum of Agreement (MOA).

As outlined in the MOA, SDG&E will design, construct and own the Sunrise Powerlink 500 kV and 230 kV components from the existing Narrows substation to Penasquitos. IID and Citizens will construct and own the 500 kV line and related facilities between the Imperial Valley substation and Narrows. The MOA refers to this latter segment as the IID Green Path Southwest.

As you know, SDG&E requested a determination of need for the project from the CAISO in early January. The MOA with IID should facilitate a decision by the ISO board in the next few months.

Together, SDG&E, IID and Citizens envision the project completed by June 2010, enabling SDG&E to provide reliable electric service, renewable energy and reduced energy costs to its customers as laid out in the Sunrise Powerlink application.

Because land acquisition and construction takes two to three years from the time a license is granted, keeping the Commission proceeding on track for a decision in mid-2007 is critical. In light of this new development as well as SDG&E's recent selection of a preferred and alternate routes, we expect to amend our Sunrise application in the near

Commissioner Dian Gruencich
March 21, 2006
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future. Due to these recent events, we are open to following whatever regulatory process and procedural schedule that you believe will best ensure that we can still receive a CPUC decision by mid-2007. In the meantime, I would be happy to provide you with any additional information that you might find useful.

Sincerely,

A handwritten signature in cursive script that reads "Debra L. Reed".

Debra L. Reed

cc: President Michael Peevey
Commissioner Geoffrey Brown
Commissioner John Bohn
Commissioner Rachelle Chong
ALJ Kim Malcolm
Service List A.05-12-014

attachments

APPENDIX B



Lad Lorenz
Vice President
Regulatory Affairs - San Francisco

601 Van Ness Avenue, Suite 2060
San Francisco, CA 94102

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llorenz@SempraUtilities.com

April 4, 2006

Commissioner Dian Grueneich
California Public Utilities Commission
505 Van Ness Avenue, Fifth Floor
San Francisco, CA 94102

Dear Commissioner Grueneich:

In order to help you determine a proceeding schedule that will enable San Diego Gas & Electric (SDG&E) to bring the Sunrise Powerlink into service by 2010 when it is needed, I wanted to provide you with a further update regarding the status of pending filings and review of the need for the project by the California Independent System Operator (CAISO) Board of Directors.

As stated in the March 21 letter from Debra L. Reed, SDG&E's President, SDG&E intends to amend our application in light of a recent agreement between SDG&E, the Imperial Irrigation District and Citizens Energy, as well as the March 20 announcement of a preferred and alternate routes for the project. We expect to make this filing in July. Because a significant amount of time will have elapsed since the Sunrise Powerlink application was filed, the amendment will also include an update of our case based on the most recent information, particularly with regard to the analysis of the economic benefits of the project. Our current expectation is that we will also file the Proponent's Environmental Assessment at the same time in July.

Regarding CAISO review of the Sunrise Powerlink, on January 4, 2006, SDG&E requested that the CAISO Board approve the project by April 2006. In recent discussions we learned that CAISO management intends to bring a resolution for Board approval at their July meeting. We will continue to work with the CAISO to ensure they have the information and resources necessary to reach a timely decision and encourage the CPUC to communicate to the CAISO the importance of their timely review.

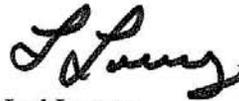
Sunrise Powerlink Update
April 4, 2006

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As you can see, several key decisions and filings will likely come together in July. Consequently, this should enable you to issue a ruling on SDG&E's motion and set a procedural schedule that will still result in a final decision by the middle of 2007 and ultimately meet a 2010 in-service date.

I hope this information is useful. Please feel free to call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Lorenz", written in a cursive style.

Lad Lorenz

cc: President Michael Peevey
Commissioner Geoffrey Brown
Commissioner John Bohn
Commissioner Rachelle Chong
Yakout Mansour, CAISO
ALJ Kim Malcolm
Service List A.05-12-014

MEMORANDUM OF AGREEMENT

1. **Parties:** This Memorandum of Agreement (MOA) for the development of a 500 kV transmission line, from the Imperial Valley Substation to a future substation to be located in San Diego County referred to as the Central Substation between San Diego Gas & Electric Company ("SDG&E"), Citizens Energy Corporation ("Citizens") and the Imperial Irrigation District ("IID"), collectively referred to as the "Parties."
2. **Recitals:** This MOA is made with reference to the following:
 - 2.1 Sunrise Powerlink Project components referenced in this agreement include of:
 - 2.1.1 Central Substation: A new substation located in the east-central portion of SDG&E's electrical system including all down stream improvements to one or more existing SDG&E substations and related transmission facilities.
 - 2.1.2 Central -Narrows 500 kV Line Segment: A new 500kV transmission line and associated facilities between the new Central Substation and the existing point of demarcation between SDG&E's existing electrical system and IID's existing electrical system.
 - 2.2 The Green Path Project - Southwest components referenced in this agreement consist of:
 - 2.2.1 Narrows - San Felipe 500 kV Line Segment: A new 500kV transmission line and associated facilities between the Narrows (the existing point of demarcation between SDG&E's existing electrical system and IID's existing electrical system) and the new San Felipe Substation.
 - 2.2.2 San Felipe Substation: A new substation in Imperial County northwest of the IV Substation in the vicinity of San Felipe to interconnect:
 1. The Narrows - San Felipe 500 kV Line Segment
 2. The San Felipe - IV 500 kV Line Segment
 3. IID's 230 kV transmission system

2.2.3 San Felipe - IV 500 kV Line Segment: - A new 500kV transmission line and associated facilities between the Parties' IV Substation and the new San Felipe Substation.

2.3 Reference to "The Projects" means the above described portions of SDG&E Sunrise Powerlink and IID Green Path Southwest Projects.

2.4 Point of Demarcation: The Parties intend that any reference herein to "the Narrows" means the point of demarcation between that portion of the Green Path Project Southwest to be owned by IID and SDG&E's Sunrise Powerlink that will be located in the vicinity of the existing Narrows substation.

2.5 Stirling Solar Facility: SDG&E has signed a Power Purchase Agreement with a new solar generating facility being built by SES Solar Two LLC. The site of the Stirling Facility has not been determined nor has the point of its interconnection to The Projects.

3. MOA: The Parties agree as follows:

3.1 Development Activities: The Parties will cooperate, using commercially reasonable efforts on the following:

3.1.1 Completion of those features of The Projects which will result in a complimentary and non-duplicative enhancement of the transmission system between the IID and SDG&E service areas. The Parties agree to work together to achieve an in-service date of June, 2010;

3.1.2 Cooperative planning of The Projects to ensure that The Projects are compatible with and link with each other at a certain location where the two service areas of SDG&E and IID abut each other (the "Point of Demarcation");

3.1.3 Coordinated engineering, design and construction of The Projects; and

3.1.4 Coordinated operation of The Projects on a basis acceptable to SDG&E, IID and the California Independent System Operator (CAISO).

3.1.5 Development of the IV to Central 500 kV line so as not to have an adverse implications on the jurisdictional status of Citizens as a FERC regulated non-profit utility and IID as a non-jurisdictional California utility.

3.2 Ownership Issues:

3.2.1 The Parties agree that IID shall own the 500 kV Transmission line between IV substation and the Narrows. Subject to the terms and

conditions of future agreements to be negotiated with Citizens and CAISO, IID intends to transfer to Citizens entitlement to use 95% capacity on the 500 kV line from the Imperial Valley to San Felipe and 100% of the transfer capability from San Felipe to Narrows. Citizens intends to request Participating Transmission Owner ("PTO") status before the ISO with respect to Citizens entitlements in these two lines and the Parties agree to support Citizens in obtaining PTO status and recovery of costs of service for their portion of the Projects.

3.2.2 The Parties agree that SDG&E shall own the 500 kV transmission line and all improvements between the Narrows and its system located in San Diego County.

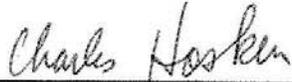
3.3 Project Leads: SDG&E shall be the Project Lead for the Sunrise Powerlink Project components set forth in 2.1 above. IID shall be the Project Lead for the Green Path Southwest Project components set forth in 2.2 above.

3.4 Interconnection Issues: The Parties agree to cooperate, using commercially reasonable efforts, to determine an appropriate mutually agreeable interconnection point for the Stirling Solar facility, such that SDG&E can connect to a substation they have ownership interests in and provided the transfer capability used for the Stirling Solar facility is limited to the use of Citizens' transfer capability and does not generate undue congestion and does not jeopardize Citizens' participation in the Projects.

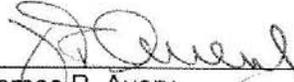
3.5 Counterparts: This MOA may be executed in counterparts and will be effective upon execution by all Parties.

4. **Conditions Precedent to Agreement**: Board Approval: This MOA is subject to the approval of the Parties' respective Boards. The Parties agree to cooperate and to work collaboratively to seek such approval.
5. **Further Agreements**: Once this MOA is approved by the Parties' respective Boards, the Parties agree to negotiate diligently and in good faith definitive agreements.

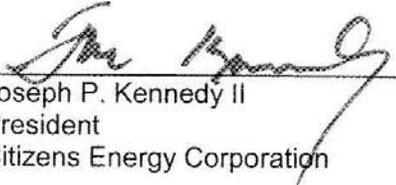
Agreed and accepted this 16 day of March, 2006, by



Charles Hosken
General Manager
Imperial Irrigation District



James P. Avery
Senior Vice President - Electric
San Diego Gas & Electric Company



Joseph P. Kennedy II
President
Citizens Energy Corporation